

PROSPECTUS

ellipticlabs

ELLIPTIC LABORATORIES ASA

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

Listing of the shares in Elliptic Laboratories ASA on the Oslo Stock Exchange

This prospectus (the “**Prospectus**”) has been prepared for Elliptic Laboratories ASA, a public limited liability company incorporated under the laws of Norway (“**Elliptic Labs**” or the “**Company**” and, together with its consolidated subsidiaries, the “**Group**”), solely for use in connection with the listing and admission to trading of the Company’s shares, each with a par value of NOK 0.01 (the “**Shares**”) on Oslo Børs, a stock exchange being part of Euronext and operated by Oslo Børs ASA (the “**Oslo Stock Exchange**”) (the “**Listing**”).

The Shares are registered in the central securities depository at Euronext Securities Oslo in book-entry form. All Shares rank *pari passu* in all respects and carry full and equal rights in the Company.

The board of directors of the Oslo Stock Exchange approved the Company’s application for Listing in a board meeting held on 23 February 2022. Trading in the Shares on the Oslo Stock Exchange is expected to commence on or about 4 March 2022 under the ticker code “ELABS”. All dealings in the Shares are at the sole risk of the parties concerned.

Investing in the Shares involves a high degree of risk. Prospective investors should read the entire Prospectus, and in particular Section 2 “Risk factors” beginning on page 8 when considering an investment in the Company. The Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States. The distribution of this Prospectus may be restricted by law in certain jurisdictions. Persons in possession of this Prospectus are required by the Company to inform themselves about and to observe any such restrictions. Any failure to comply with these regulations may constitute a violation of the securities law of any such jurisdiction.

This Prospectus serves as a listing prospectus only. The Prospectus does not constitute an offer, or invitation to purchase, subscribe or sell, any of the securities described herein, and no shares or other securities are being offered or sold in any jurisdiction pursuant to this Prospectus.

3 March 2022

IMPORTANT INFORMATION

This Prospectus has been prepared solely for use in connection with the Listing of the Shares on the Oslo Stock Exchange. This Prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75, as amended (the **"Norwegian Securities Trading Act"**) and related secondary legislation, such as legislation adopted by the European Union (the **"EU"**), including Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC,¹ as amended, and as implemented in Norway in accordance with Section 7-1 of the Norwegian Securities Trading Act (the **"EU Prospectus Regulation"**). This Prospectus has been prepared solely in the English language. This Prospectus has been approved by the Financial Supervisory Authority of Norway (Nw.: *Finanstilsynet*) (the **"Norwegian FSA"**), as competent authority under the EU Prospectus Regulation. The Norwegian FSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation, and such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities. For definitions of certain other terms used throughout this Prospectus, see Section 16 *"Definitions and Glossary of terms"*.

The information contained herein is current as of the date hereof and is subject to change, completion and amendment without notice.

In accordance with Article 23 of the EU Prospectus Regulation, significant new factors, material mistakes or material inaccuracies relating to the information included in this Prospectus, which may affect the assessment of the Shares and which arises or is noted between the time when the Prospectus is approved by the Norwegian FSA and the Listing, will be mentioned in a supplement to this Prospectus without undue delay. Neither the publication nor distribution of this Prospectus, nor the sale of any Share, shall under any circumstances imply that there has been no change in the Group's affairs or that the information herein is correct as of any date subsequent to the date of this Prospectus.

No Shares or any other securities are being offered or sold in any jurisdiction pursuant to this Prospectus. The distribution of this Prospectus in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Shares in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering of the Shares. Accordingly, neither this Prospectus nor any other advertisement material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with applicable laws and regulations. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. In addition, the Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This Prospectus shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Prospectus.

In making an investment decision, prospective investors must rely on their own examination, and analysis of, and enquiry into the Group, including the merits and risks involved. Neither of the Company nor any of its representatives or advisers are making any representation to any offeree or purchaser of the Shares regarding the legality of an investment in the Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Shares. All Sections of the Prospectus should be read in context with the information included in Section 4 *"General information"*.

NOTICE TO INVESTORS IN THE UNITED STATES

Neither the United States federal nor any state securities commission or regulatory authority have passed upon the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offense under the laws of the United States.

The Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States for offer or sale as part of their distribution and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws.

In the United States, this Prospectus is being furnished on a confidential basis solely for the purposes of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Prospectus has been provided by the Company and other sources identified herein. Any reproduction or distribution of this Prospectus in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Prospectus does not constitute an offer to any other person or to the public generally to purchase or subscribe for or otherwise acquire any Shares.

¹ Means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom (the “**UK**”), or (ii) persons in the UK falling within the definition of “investment professionals” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”), (iii) high net worth bodies, corporate, unincorporated associations and partnerships and trustees of high value trusts falling within Article 49(2)(a) to (d) of the Order, and/or (iv) other persons to whom such investment or investment activity may lawfully be communicated or caused to be communicated (all such persons together being referred to as “**Relevant Persons**”). In the UK, Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Shares will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

NOTICE TO INVESTORS IN THE EEA

In any member state of the European Economic Area (the “**EEA**”), other than Norway (each a “**Relevant Member State**”), this communication is only addressed to and is only directed at persons who are “qualified investors” within the meaning of Article 2(e) of the EU Prospectus Regulation.

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Conversely, an investment in the Shares is not compatible with investors looking for full capital protection or full repayment of the amount invested or having no risk tolerance, or investors requiring a fully guaranteed income or fully predictable return profile.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares. Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Shares and determining appropriate distribution channels.

ENFORCEMENT OF CIVIL LIABILITIES

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

With the exception of two of the members of the Company’s executive management (the “**Management**”), neither the members of the Company’s board of directors (the “**Board Members**” and the “**Board of Directors**”, respectively) nor the members of the Management are residents of the United States, and a substantial portion of the Company’s assets are located outside the United States. As a result, it may be difficult for investors in the United States to effect service of process on the Company, the Board Members and members of Management, other than the two U.S. residents, in the United States or to enforce judgments obtained in U.S. courts against the Company or those persons, whether predicated upon civil liability provisions of federal securities laws or other laws of the United States (including any State or territory within the United States).

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

Similar restrictions may apply in other jurisdictions.

AVAILABLE INFORMATION

The Company has agreed that, for so long as any of the Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, it will during any period in which it is neither subject to Sections 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “**U.S. Exchange Act**”), nor exempt from such reporting requirements by complying with the information furnishing requirements of Rule 12g3-2(b) under the U.S. Exchange Act, provide to any holder or beneficial owners of Shares, or to any prospective purchaser designated by any such

registered holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act. The Company is not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act.

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1 SUMMARY

SECTION A | INTRODUCTION AND WARNINGS

(i) The name and international securities identification number (ISIN) of the securities:

The Company has one class of shares, and all Shares are equal in all respects. The Shares are registered with Euronext Securities Oslo with ISIN NO 001 0722283.

(ii) The identity and contact details of the issuer, including its legal entity identifier (LEI):

Elliptic Laboratories ASA (registration number 989 750 186), Akersgata 32, N-0180 Oslo, Norway.

LEI: 21380012EQMN8XOXBQ51

(iii) Where applicable, the identity and contact details of the offeror, including its LEI if the offeror has legal personality, or of the person asking for admission to trading on a regulated market:

Not applicable.

(iv) The identity and contact details of the competent authority approving the Prospectus:

The Financial Supervisory Authority of Norway (Nw.: *Finanstilsynet*), Revierstredet 3, P.O. Box 1187 Sentrum, N-0107 Oslo, Norway.

(v) The date of approval of the Prospectus:

3 March 2022.

(vi) Warning

This summary should be read as an introduction to the Prospectus. Any decision to invest in the Shares should be based on a consideration of the Prospectus as a whole by the investor. The investor could lose all or part of the invested capital.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.

SECTION B | KEY INFORMATION ON THE ISSUER

(i) Who is the issuer of the securities?

The Company is a Norwegian public limited liability company with registration number 989 750 186. The Company's LEI code is 21380012EQMN8XOXBQ51. It was incorporated on 3 March 2006 in Norway as a private limited liability company, and converted to a public limited liability company under the Norwegian Public Companies Act on 20 January 2021. The Company's registered address is Akersgata 32, N-0180 Oslo, Norway, and its website is at <https://www.ellipticlabs.com/>.

Elliptic Labs is a global enterprise targeting the smartphone, laptop, IoT, and automotive markets. Founded in 2006 as a research spin-off from the 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 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. It carried out an initial public offering in the Euronext Growth market in October 2020.

Elliptic Labs 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.

As of 3 March 2022 and to the best of the Company's knowledge, the following shareholders in the Company have holdings in excess of the statutory thresholds for disclosure requirements:

Shareholder	Number of Shares	Percentage
Passesta AS	12 280 480	11.83%
MP Pensjon PK	8 922 299	8.92%
Alden AS	7 403 330	7.40%

As of the date of this Prospectus, the Management consists of the following individuals:

- Laila Danielsen, CEO
- Lars Holmøy, CFO
- Espen Klovning, EVP of Engineering
- Brian Daly, Sr. VP Sales & Business Development
- Britt Narmo, HR Manager

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

(ii) What is the key financial information regarding the issuer?

Financial information in the Prospectus has been derived from the following financial statements (together, the "**Financial Information**"):

- 1) The consolidated financial statements of the Company as of and for the years ended 31 December 2020, 2019 and 2018 (the "**Annual Financial Statements**"). The Annual Financial Statements are prepared in accordance with IFRS and the interpretations provided by IFRS Interpretations Committee ("**IFRIC**") as approved by the EU ("**IFRS**") and have been audited by PwC.
- 2) The consolidated financial statements of the Company as of and for the nine-month period ended 30 September 2021, with comparable figures for the nine-month period ended 30 September 2020 (the "**Interim Financial Statements**"). The Interim Financial Statements are prepared in accordance with IAS 34 and have been subject to procedures performed in accordance with International Standard on Review Engagements 2410 ("**ISRE**") by PwC.

The following summarizes the consolidated financial data of the Group and has been derived from the Financial Information:

Consolidated comprehensive income statement

(in NOK)	Nine months ended 30 September		Year ended 31 December		
	2021 (unaudited)	2020 (unaudited)	2020 (audited)	2019 (audited)	2018 (audited)
Total revenues and other operating income	28 367 403	17 470 934	44 732 092	52 683 038	43 612 354
Operating profit /(loss)	-18 797 734	-27 280 227	-10 101 914	-12 992 175	-32 573 412
Profit/(loss) for the period	-15 537 526	-23 401 752	-12 510 010	-13 256 956	-28 120 622
Total comprehensive income /(loss) for the period	-15 486 329	-23 267 986	-12 557 270	-13 251 897	-28 178 376

Consolidated statement of financial position

(in NOK)	As of 30 September		As of 31 December		
	2021 (unaudited)	2020 (unaudited)	2020 (audited)	2019 (audited)	2018 (audited)
Total assets	348 673 789	117 154 746	218 722 073	139 368 073	102 240 971
Total equity	321 320 390	59 251 708	188 104 091	80 032 755	47 397 915

Consolidated cash flow statement

(in NOK)	Nine months ended 30 September		Year ended 31 December		
	2021 (<i>unaudited</i>)	2020 (<i>unaudited</i>)	2020 (<i>audited</i>)	2019 (<i>audited</i>)	2018 (<i>audited</i>)
Net cash flows from operating activities	-22 118 813	-18 119 678	-6 678 217	-11 279 822	-35 158 019
Net cash flows from investing activities	-8 409 762	-7 686 681	-15 102 670	-9 375 022	-8 739 127
Net cash flows from financing activities	139 457 971	-3 584 161	87 190 022	38 388 546	23 238 856
Net change in cash and cash equivalents	108 929 395	-29 390 520	65 409 136	19 244 835	-20 658 290
Cash and cash equivalents at the beginning of the period	99 724 175	35 873 432	34 362 299	16 623 538	37 339 583
Cash and cash equivalents at the end of the period	208 704 767	6 616 677	99 724 175	35 873 432	16 623 538

Pro forma financial information

Not applicable. The Prospectus does not contain pro forma financial information.

Description of any qualifications in the audit report relating to the historical financial information

Not applicable.

(iii) What are the key risks that are specific to the issuer?

- The market for the Group's technology is rapidly evolving, disruptive and difficult to predict, and technology that was unimaginable only a few years ago is market standard today. As such, it is difficult to predict important market trends, including how large the market for the Group's products will be or when and what products will be adopted.
- Introduction of products, including new technologies, could cause the Group's existing products to be less attractive to the customers, unless the Group timely anticipates the changes and customer requirements.
- Some of the largest technology companies in the world are competitors to the Group, many of which are better established and with significantly greater resources.
- The Group's survival and successful growth depends on its ability to (i) develop new products and technologies that address the increasingly sophisticated and varied needs of prospective customers, and (ii) respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis by improving existing products and technologies.
- The Group's business depends on revenues from new technology, the commercial success of which is unproven, and the introduction of which could replace sales of current products, which could cause the customers to defer from purchasing existing products in anticipation of new products.
- Many of the Group's target customers may have established successful businesses using other technologies and may find it difficult or unattractive to switch to the Group's technology.
- The Group is dependent on key persons, and its development is to a large extent dependent on the experience, knowledge and commitment of the Management and other key personnel.
- The Group may not, in the future, be able to obtain patents, and it is possible that future applications may not result in the issuance of patents.
- The Group's strategy for protecting intellectual property rights in relation to employees may be deficient in certain instances, for example if the Group fails to impose sufficient non-disclosure commitments or if the employees or consultants involved in the creation of intellectual property are not covered by sufficient provisions for transferring of such intellectual property to the Group

- The Group faces a risk of claims that it has infringed the intellectual property rights of third parties, which could lead to costly court proceedings for alleged infringement of the rights of others.
- As some of the Group's major customers are located in China, the Group was particularly affected by the outbreak of the COVID-19 pandemic. It is currently not possible to predict the exact consequences for the Group, its business partners, Norway or the industry in which the Group operates, should a COVID-19 like pandemic, due to Omicron or future COVID-19 variants, cause a new full or partial close-down of society in one or more of the jurisdictions in which the Group operates, markets and sells its products.
- If the Group does achieve profitability, the Group cannot assure that it can sustain or increase profitability on a quarterly or annual basis in the future
- The Group is largely dependent on a limited number of customers, as the market the Group operates in is dominated by a few large vendors, and termination of a material customer contract may have a material adverse effect on the cash flow and financial results of the Group
- The Group may experience large fluctuation in cash inflow from revenues as contracts with the Group's customers are not evenly distributed throughout a year.
- Increased revenues from the Group's business depend among other things on entering into new customer contracts, existing customer contracts not being terminated and market factors, which are partly beyond the control of the Group.

SECTION C | KEY INFORMATION ON THE SECURITIES

(i) What are the main features of the securities?

The Company has one class of shares, and all Shares are equal in all respects. The Shares are registered in book-entry form with Euronext Securities Oslo and have ISIN NO 001 0722283.

As of the date of this Prospectus, the Company's registered share capital is NOK 1 038 418.80, divided into 103 841 880 Shares, each with a par value of NOK 0.01.

All Shares in the Company rank *pari passu* in all respects and carry full and equal rights in the Company. All Shares have voting rights and other rights and obligations that are standard under the Norwegian Public Companies Act and are governed by Norwegian law.

Pursuant to Norwegian law, the shareholder rights attaching to the Shares are subordinated any other Company creditor in the event of insolvency.

The Shares are freely transferable. The Articles of Association do not provide for any restrictions on the transfer of Shares, or a right of first refusal for the Shares. Share transfers are not subject to approval by the Board of Directors.

The Company has not established any clear dividend policy to date. There can be no assurance that a dividend will be proposed or declared in the future.

Any future proposal by the Board of Directors to declare dividends will be subject to applicable laws and will be dependent on a number of 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. See Section 5.2 below for more information. 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 or to date 2021.

(ii) Where will the securities be traded?

The Shares were admitted to trading on Euronext Growth Oslo in October 2020. Following the Listing, with the simultaneous delisting from Euronext Growth Oslo, the Shares will be traded on the Oslo Stock Exchange under the ticker code "ELABS".

The Company has not applied for admission to trading of the Shares on any other stock exchange, regulated market or a multi trading facility (MTF).

(iii) What are the key risks that are specific to the securities?

- Future issuances of shares or other securities or exercise of options held by members of the management and employees in the Group may dilute the holdings of shareholders and could materially affect the price of the Shares.
- Investors may not be able to exercise their voting rights for Shares registered in nominee accounts managed by brokers, dealers or other third parties.
- As the Shares are priced in NOK, and any future payments of dividends on the Shares will be paid in NOK, any investor outside Norway is subject to adverse movements in NOK against their local currency as the foreign currency equivalent of any dividends paid on the Shares or price received in connection with sale of such Shares could be materially adversely affected.

SECTION D | KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND/OR THE ADMISSION TO TRADING ON A REGULATED MARKET

(i) Under which conditions and timetable can I invest in this security?

Not applicable. There is no offering of Shares.

(ii) Why is this Prospectus being produced?

This Prospectus has been prepared in order to facilitate for the Listing.

The Company believes that the Listing will:

- enable access to a wider equity capital markets to fund further growth;
- diversify the Company's shareholder base and enable other investors to take part in the Group's future growth and value creation;
- further improve the Group's ability to attract and retain key management and employees;
- enhance the Company's profile with investors, business partners, vendors and customers; and
- allow for a liquid market for the Shares going forward.

As there is no offering of Shares, there are no offering proceeds or any underwriting.

The Company is not aware of any interest of any natural and legal persons involved in the Listing that is material to the Listing.

2 RISK FACTORS

2.1 Introduction

Investing in the Shares involves a high degree of risk. An investor should consider carefully the risks and uncertainties described below, together with all of the other information in this Prospectus, including Section 10 “*Operating and financial review*” and the Financial Information and the accompanying notes elsewhere in this Prospectus before deciding whether to invest in the Shares. The risks and uncertainties described in this Section 2 are the material known risks and uncertainties faced by the Group as of the date hereof that the Company believes are the material risks relevant to an investment in the Shares. An investment in the Shares is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment. The risk factors included in this Section 2 “*Risk factors*” are presented in a limited number of categories, where each risk factor is sought placed in the most appropriate category based on the nature of the risk it represents. While the most material risk factor in each category is set out first, the remaining risk factors in each section are not ranked in order of materiality or probability of occurrence. The absence of negative past experiences associated with a given risk factor does not mean that the risks and uncertainties associated with that risk factor are not genuine or pose a potential threat to the Group. If any one of the following risks occur, the Group’s business, financial condition, operating results, cash flow and future prospects could be materially and adversely affected. In that event, the market price of the Shares could decline, and resulting in loss of all or part of an investment in the Shares.

The information in this Section 2 is as of the date of this Prospectus.

2.2 Risks associated with the Group’s business and the industry in which it operates

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

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. Another example is how a person may perform an electrocardiogram with a simple smartwatch on one’s wrist, a procedure that one only a few years ago had to visit medical facilities to receive. 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.

2.2.2 *The Group’s markets are highly competitive*

The Group competes and offer its products in markets that are competitive and rapidly changing, with some of the largest technology companies in the world.² Several of these companies have vast resources to spend on development. There are numerous examples of these companies copying³ and infringing⁴ patents to develop their own products. The markets for smartphones and laptops are dominated by a few, large vendors. The Group’s future success is dependent on succeeding with sales to these few large vendors, both in the smartphone and the laptop markets. The Group expects to continue to experience competition from current and potential competitors, and possibly also from existing clients, many of which are better established and have significantly greater financial, technical and marketing resources. If the Group’s competitors succeed with these vendors and other competitors

² • [Biggest companies in the world by market cap 2020 | Statista](#)

³ [Apple has copied some of the most popular apps in the App Store for its iPhone, iPad and other software updates - The Washington Post](#)

⁴ [Apple Told to Pay \\$308.5 Million for Infringing DRM Patent - Bloomberg](#)

and not the Group, this could have a material adverse effect on the Group's business, prospects, financial position, and results of operations.

2.2.3 *The Group's future success will depend on its ability to meet the changing needs of its customers*

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

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

The Group may not be able to successfully anticipate or adapt to changing technologies or customer requirements on a timely basis. If the Group fails to keep up with technological changes or to convince the customers of the value of their solutions even in light of new technologies, the Group's business, prospects, operating results and financial condition could be materially and adversely affected.

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

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

The Group's continued success depends on its ability to identify and develop new products and to enhance and improve their existing products, and the acceptance of those products by existing and new customers. The introduction of new products or product enhancements may shorten the life cycle of existing products, or replace sales of some of the current products, thereby offsetting the benefit of even a successful product introduction, and may cause customers to defer purchasing of existing products in anticipation of the new products. There is a risk that the Group will not be able to successfully commercialize any new products, and that the market adoption for such new products will take longer than the Group expects or that the market penetration will not be as big as the Group predicts. If any of these risks were to occur, it could have a material adverse effect on the Group's business, prospects, financial position and results of operations.

2.2.5 *The Group's business depends on revenues from new, commercially unproven technology*

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

As further detailed in Section 2.2.1 "*The market for the Group's technology is difficult to predict*" above, the technology market is rapidly changing. The introduction of new and unproven products or product enhancements may shorten the life cycle of existing products, or replace sales of some of the current products, thereby offsetting the benefit of even a successful product introduction, and may cause customers to defer to purchase existing products in anticipation of the new products. There is a risk that the Group will not be able to successfully

commercialize any new products both due to market demand, technical- or market development. If the Group's target customers do not adopt and purchase the Group's technology, the Group's future growth may be limited.

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

The Group must have access to skilled and motivated employees to continue to run its operations successfully and to reach its strategic and operational objectives. The Group's future development is therefore to a large extent dependent on that the Group is successful in attracting, developing and retaining employees with appropriate skills in the future. Furthermore, the CEO has not waived her dismissal protection rights under the Norwegian Working Environment Act in return for severance pay, and any termination of the CEO must be objectively justified requiring a "significance test" by the employer. The dismissal protection rights would make it more difficult for the Board to replace the CEO, should the Board find it appropriate. Further to the above, if the Group is not able to attract, develop and retain employees with appropriate skills, it could adversely affect the Group's business and prospects. As the Group is dependent on key persons and its development is to a large extent dependent on the experience, knowledge and commitment of the Management and other key personnel, the Group could be adversely affected should one or several of such key persons terminate their employment and start in a competing business.

2.2.7 The Group relies upon intellectual property rights

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

The Group also faces a risk of claims that it has infringed the intellectual property rights of third parties. The Group may be drawn into court proceedings for alleged infringement of the rights of others. If this happens, there is a risk that the Group may be liable to pay significant damages or settlement costs, or be obligated to indemnify its customers or business partners, which could be costly and have a negative impact on the Group's operating profits. If the Group becomes involved in a dispute concerning alleged infringement of intellectual property rights, the Group will likely also incur significant costs to legal advisors and other advisors, and any such dispute would also be time-consuming and distracting to the Management.

2.2.8 A future close-down due a pandemic with effects similar to the COVID-19 pandemic could have a material adverse effect on the Group

As some of the Group's major customers are located in China, the Group was particularly affected by the outbreak of the COVID-19 pandemic. It is currently not possible to predict the exact consequences for the Group, its business partners, Norway or the industry in which the Group operates, should a COVID-19 like pandemic, due to Omicron or future COVID-19 variants, cause a new full or partial close-down of society in one or more of the jurisdictions in which the Group operates, markets and sells its products. Such consequences may impact the Group and its current

and planned operations – as well as its suppliers, including the Group's ability to raise further capital or secure financing, future customers ability to buy the Group's products at attractive prices or at all, and the Group's ability to provide products at agreed/scheduled terms.

2.3 Risks related to the Group's financial position

2.3.1 *Risks related to negative cash flow from operations*

To date, the Group 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. As of the date of this Prospectus, the Group has less than 10 customers. Hence, the termination of major customer contracts may have a material adverse effect on the cash flow and financial results of the Group. Furthermore, the Group may experience large fluctuation in cash inflow from revenues as contracts with the Group's customers are not evenly distributed throughout a year, as payment terms may differ from contract to contract. Increased revenues from the Group's business depend among other things on entering into new customer contracts, existing customer contracts not being terminated and market factors, which are partly beyond the control of the Group.

2.3.2 *Risks related to deferred tax and other intangible assets*

As of 30 September 2021, the Group's deferred tax assets amounted to approx. NOK 66.1 million (unaudited) mostly relating to carried forward tax losses. Other intangible assets amounted to approx. NOK 32.1 million (unaudited). Consequently, deferred tax assets and other intangible assets comprise a material portion of the Group's balance sheet.

Assessing the valuation and recoverability of intangible assets requires Group management to make estimates related to expectations of future profit and taxable income. If the Group's business model and future cash flows cannot support the carrying values of the intangible assets at a future stage, there is a risk of the Company having to write off (impair) parts or all of the intangible assets. Any changes in the assessment of the support of the carrying values of intangible assets, recoverability or interpretation of present tax regulations may affect the payable or deferred taxes of the Company and the carrying values of the intangible assets, and thereby have a material adverse effect on the Groups business, results of operations, cash flows and financial condition.

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

As described in Section 2.3.1 above, the Group has as of the date of this Prospectus less than 10 customers. Delayed or loss of payments from the most material customers (in value) may thus have an adverse effect on the cash flow and financial results of the Group.

2.3.4 *The Group is subject to covenants under its current financial arrangements*

The Group's current financing arrangement with Innovasjon Norge contains certain covenants and general undertakings, which are customary in financing of this type. See Section 10.8 for more details. These covenants and general undertakings impose restrictions on the Group's operations, and impose financial restrictions on the Group. These agreements may limit the Group's ability to, amongst other things: incur additional indebtedness, make certain disposals, conduct corporate reorganizations, make investments or acquisitions. In particular, the Group is subject to certain financial covenants, restrictions on its ability to pay dividends or other distributions, as well as a change of control of the Company. Even if the Group carefully monitors the key financial indicators and ratios, there is no assurance that the Group will be able to comply with financial covenants in the future. Failure to comply with such covenants may constitute an event of default and that creditors as a result will be entitled to

accelerate their claims against the Group, which may have a material adverse effect on the Group's business, financial conditions and/or prospects.

2.3.5 *Risks associated with exchange rate fluctuation*

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

- Exposure to sales of products in different currencies: The Group has all its revenues in foreign currencies, mainly in US dollars.
- Exposure to payroll costs and operating expenses in different currencies: Payroll costs and other operating expenses for the U.S. subsidiary are in USD. Payroll costs and other operating expenses for our operations in China are mainly incurred in local currency, Chinese Renminbi.

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

2.4 **Risks related to the Shares**

2.4.1 *Future issuances of shares or other securities or exercise of options in the Company may dilute existing shareholdings and affect the price of the Shares*

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

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

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

3 RESPONSIBILITY FOR THE PROSPECTUS

This Prospectus has been prepared in connection with the Listing of the Shares on the Oslo Stock Exchange.

The Board of directors of Elliptic Laboratories ASA accepts responsibility for the information contained in this Prospectus. The members of the Board of Directors confirm that to the best of their knowledge, the information contained in this Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect its import.

Oslo, 3 March 2022

The Board of Directors of Elliptic Laboratories ASA

Tore Engebretsen
Chairman of the Board

Edvin Austbø
Board Member

Berit Svendsen
Board Member

Svenn-Tore Larsen
Board Member

Ingrid E. Leisner
Board Member

4 GENERAL INFORMATION

4.1 The approval of this Prospectus by the Norwegian FSA

This Prospectus has on 3 March 2022 been approved by the Norwegian FSA, as competent authority under the EU Prospectus Regulation. The Norwegian FSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation, and such approval shall not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Shares.

The Prospectus is valid for a period of 12 months from the date of approval by the Norwegian FSA.

4.2 Other important investor information

The Company has furnished the information in this Prospectus. The Company's advisors make no representation or warranty, express or implied, as to the accuracy, completeness or verification of the information set forth herein, and nothing contained in this Prospectus is, or shall be relied upon, as a promise or representation in this respect, whether as to the past or the future.

The information contained herein is current as of the date hereof and is subject to change, completion and amendment without notice. In accordance with Article 23 of the Prospectus Regulation, significant new factors, material mistakes or material inaccuracies relating to the information included in this Prospectus, which may affect the assessment of the Shares and which arises or is noted between the time of approval of this Prospectus by the Norwegian FSA and the Listing, will be mentioned in a supplement to this Prospectus without undue delay. Except as required by applicable law and stock exchange rules, the Company does not undertake any duty to update the information in this Prospectus. Neither the publication nor distribution of this Prospectus shall under any circumstance imply that there has not been any change in the Group's affairs or that the information herein is correct as of any date subsequent to the date of this Prospectus.

No person is authorized to give information or to make any representation concerning the Group other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorized by the Company or by any of its affiliates, representatives, advisers. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Shares.

Investing in the Shares involves a high degree of risk. See Section 2 "*Risk factors*" beginning on page 8.

4.3 Presentation of financial and other information

4.3.1 Financial information

Financial information in this Prospectus has been derived from the following financial statements (together, the "**Financial Information**"):

- 1) The consolidated financial statements of the Company as of and for the years ended 31 December 2020, 2019 and 2018 (together, the "**Annual Financial Statements**"). The Annual Financial Statements are prepared in accordance with the International Reporting Standards and the interpretations provided by IFRS Interpretations Committee ("**IFRIC**") as approved by the EU ("**IFRS**"). The Annual Financial Statements are presented in NOK and have been audited by PwC.
- 2) The consolidated financial statements of the Company as of and for the nine-month period ended 30 September 2021, with comparable figures for the nine-month period ended 30 September 2020 (the "**Interim Financial Statements**"). The Interim Financial Statements are prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU ("**IAS 34**") and

have been subject to procedures performed in accordance with International Standard on Review Engagements 2410 (“ISRE”) by PwC.

4.3.2 *Industry and market data*

This Prospectus contains statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Group’s business and the industries and markets in which it operates. Unless otherwise indicated, such information reflects the Company’s estimates based on analysis of multiple sources, including data compiled by professional organizations, consultants and analysts and information otherwise obtained from other third party sources, such as annual and interim financial statements and other presentations published by listed companies operating within the same industry as the Company. Unless otherwise indicated in the Prospectus, the basis for any statements regarding the Company’s competitive position in the future is based on the Company’s own assessment and knowledge of the potential market in which it may operate. The relevant information and data is sourced herein as “**Company Information**”.

The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified, however, source references to websites shall not be deemed as incorporated by reference to this Prospectus. The Company does not intend and does not assume any obligations to update industry or market data set forth in this Prospectus.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of market data contained in this Prospectus that was extracted from these industry publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

The Company cautions prospective investors not to place undue reliance on the data. Unless otherwise indicated in the Prospectus, any statements regarding the Group’s competitive position are based on the Company’s own assessment and knowledge of the market in which it operates.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus (and projections, assumptions and estimates based on such information) may not be reliable indicators of the Company’s future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 2 “*Risk factors*” and elsewhere in this Prospectus.

4.3.3 *Currencies*

In this Prospectus, all references to “**NOK**” are to the lawful currency of Norway and all references to “**USD**” are to the lawful currency of the United States. No representation is made that the NOK or USD amounts referred to herein could have been or could be converted into NOK or USD, as the case may be, at any particular rate, or at all. The Financial Information is presented in NOK.

4.3.4 Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments (by rounding to the nearest whole number or decimal or fraction, as the case may be). Accordingly, figures shown for the same category presented in different tables may vary slightly. As a result of rounding adjustments, the figures presented may not add up to the total amount presented.

4.3.5 Alternative performance measures (APMs)

4.3.5.1 Introduction

In order to enhance investors' understanding of the Group's performance, the Company presents in this Prospectus certain alternative performance measures ("**APMs**") as defined by the European Securities and Markets Authority ("**ESMA**") in the ESMA Guidelines on Alternative Performance Measures 2015/1057.

An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specific in the applicable financial reporting framework (IFRS). The Company uses APMs to measure operating performance and is of the view that the APMs provide investors with relevant and specific operating figures which may enhance their understanding of the Group's performance. The APMs presented herein have been used in the Prospectus, as well as in marketing material presented to prospective institutional investors and analysts in connection with the Listing, and it is the Management's opinion that the APMs presented herein are relevant for reporting purposes after the Listing.

The APMs presented herein are not measurements of performance under IFRS or other generally accepted accounting principles and investors should not consider any such measures to be an alternative to: (a) operating revenues or operating profit (as determined in accordance with IFRS or other generally accepted accounting principles), as a measure of the Group's operating performance; or (b) any other measures of performance under generally accepted accounting principles. The APMs presented herein may not be indicative of the Group's historical operating results, nor are such measures meant to be predictive of the Group's future results. The Company believes that the APMs presented herein are commonly reported by companies in the markets in which the Group competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation, amortization and impairment, which can vary significantly depending upon accounting measures (in particular when acquisitions have occurred), business practice or non-operating factors. Accordingly, the Group discloses the APMs presented herein to permit a more complete and comprehensive analysis of its operating performance relative to other companies across periods, and of the Group's ability to service its debt. Because companies calculate the APMs presented herein differently, the Group's presentation of these APMs may not be comparable to similarly titled measures used by other companies.

The Company only uses the following APM:

EBITDA	Earnings before interest, taxes, depreciations and amortizations. EBITDA is a key performance indicator that the Group considers relevant for understanding the generation of profit before investments in fixed assets.
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4.3.5.2 Calculations and reconciliations of the APM

The tables below set out the APM presented by the Group in this Prospectus and other marketing material on an historical interim and annual basis. The tables below show the relevant APM on a reconciled basis, to provide investors with an overview of the basis of calculation of the APs. See Section 4.3.5.1 above for a further description of the APM presented below.

The figures below are extracted from the Group's consolidated statement of profit or loss and related notes, as presented in the Financial Information.

(in NOK thousand)

	Nine months ended 30 September		Year ended 31 December		
	2021 (unaudited)	2020 (unaudited)	2020 (audited)	2019 (audited)	2018 (audited)
Revenues from contracts with customers	19 929	6 144	30 215	37 957	41 581
Other operating income	8 438	11 327	14 517	14 726	2 032
Total revenue and other operating income	28 367	17 471	44 732	52 683	43 612
Personnel expense	-32 023	-30 641	-35 866	-45 650	-46 965
Other operating expenses	-8 927	-8 927	-13 529	-15 631	-27 105
EBITDA	-12 582	-23 209	-4 663	-8 598	-30 458

4.4 Cautionary note regarding forward-looking statements

This Prospectus includes forward-looking statements that reflect the Company's current views with respect to future events and financial and operational performance. These forward-looking statements may be identified by the use of forward-looking terminology, such as the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "should", "will", "would" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements are not historic facts. They appear, among other areas, in the following sections in this Prospectus, Section 6 "*Industry and Market Overview*", Section 7 "*Business of the Group*", and Section 9 "*Selected Historical Financial Information*", and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, financial strength and position of the Group, operating results, liquidity, prospects, growth, the implementation of strategic initiatives, as well as other statements relating to the Group's future business development and financial performance, and the industry in which the Group operates, such as, but not limited to, statements relating to:

- the Group's strategy, outlook and growth prospects;
- the Group's operational and financial objectives, including statements as to the Company's medium or long-term growth, margin, and dividend policy;
- the competitive nature of the business in which the Group operates and the competitive pressure and competitive environment in general;
- earnings, cash flow, dividends and other expected financial results and conditions;
- the expected growth and other developments of the industries which the Group operates;
- the Group's planned investments;
- forecasts; and
- the Group's liquidity, capital resources, capital expenditures, and access to funding.

Prospective investors are cautioned that forward-looking statements are not guarantees of future performance and that the Group's actual financial position, operating results and liquidity, and the development of the industry in which the Group operates, may differ materially from those made in, or suggested, by the forward-looking statements contained in this Prospectus. The Company cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur.

By their nature, forward-looking statements involve, and are subject to, known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the forward-looking statements. Should one or more of these risks and uncertainties materialize, or should any underlying assumption prove to be incorrect, the Company's business, actual financial condition, cash flows or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected.

The information contained in this Prospectus, including the information set out under Section 2 “*Risk Factors*”, identifies additional factors that could affect the Group’s financial position, operating results, liquidity and performance. Prospective investors in the Shares are urged to read all Sections of this Prospectus and, in particular, Section 2 “*Risk Factors*” for a more complete discussion of the factors that could affect the Group’s future performance and the industry in which the Group operates when considering an investment in the Company.

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

5 DIVIDENDS AND DIVIDEND POLICY

5.1 Dividends policy

The Company has not established any clear dividend policy to date. There can be no assurance that a dividend will be proposed or declared in the future.

Any future proposal by the Board of Directors to declare dividends will be subject to applicable laws and will be dependent on a number of 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. See Section 5.2 below for more information. 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.

5.2 Legal constraints on the distribution of dividends

In deciding whether to propose a dividend and in determining the dividend amount in the future, the Board of Directors must take into account applicable legal restrictions, as set out in the Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 45, as amended (the "**Norwegian Public Companies Act**"), regarding the Company's capital requirements, including capital expenditure requirements, its financial condition, general business conditions and any restrictions that its contractual arrangements in place at the time of the dividend may place on its ability to pay dividends and the maintenance of appropriate financial flexibility. Except in certain specific and limited circumstances set out in the Norwegian Public Companies Act, the amount of dividends paid may not exceed the amount recommended by the Board of Directors.

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

- a) Section 8-1 of the Norwegian Public Companies Act regulates what may be distributed as dividend, and provides that the Company may distribute dividends only to the extent that the Company after said distribution still has net assets to cover (i) the share capital and (ii) other restricted equity (i.e. the reserve for unrealized gains and the reserve for valuation of differences).
- b) The calculation of the distributable equity shall be made on the basis of the balance sheet included in the approved annual accounts for the last financial year, provided, however, that the registered share capital as of the date of the resolution to distribute dividend shall be applied. Following the approval of the annual accounts for the last financial year, the general meeting may also authorize the Board of Directors to declare dividends on the basis of the Company's annual accounts. Dividends may also be resolved by the General Meeting based on an interim balance sheet which has been prepared and audited in accordance with the provisions applying to the annual accounts and with a balance sheet date not further into the past than six months before the date of the general meeting's resolution.
- c) Dividends can only be distributed to the extent that the Company's equity and liquidity following the distribution is considered sound.

Pursuant to the Norwegian Public Companies Act, the time when an entitlement to dividend arises depends on what was resolved by the General Meeting when it resolved to issue new shares in the company. A subscriber of new shares in a Norwegian public limited company will normally be entitled to dividends from the time when the relevant

share capital increase is registered with the Norwegian Register of Business Enterprises. The Norwegian Public Companies Act does not provide for any time limit after which entitlement to dividends lapses. Subject to various exceptions, Norwegian law provides a limitation period of three years from the date on which an obligation is due. There are no dividend restrictions or specific procedures for non-Norwegian resident shareholders to claim dividends. For a description of withholding tax on dividends applicable to non-Norwegian residents, see Section 14 "*Norwegian taxation*".

5.3 Manner of dividend payments

The Company's equity capital is denominated in Norwegian kroner and all dividends on the Shares will therefore be declared in NOK. As such, investors whose reference currency is a currency other than NOK may be affected by currency fluctuations in the value of NOK relative to such investor's reference currency in connection with a dividend distribution by the Company.

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

6 INDUSTRY AND MARKET OVERVIEW

6.1 Introduction

Elliptic Labs develops and sells licenses to a patented AI Virtual Smart Sensor Platform™ that uses machine learning, ultrasound and sensor fusion algorithms to create touchless gestures, proximity- and presence-detection experiences (the “**AI Virtual Smart Sensor Platform**”). The Group’s scalable AI Virtual Smart Sensor Platform creates software-only sensors that replace or augment hardware sensors (e.g. infrared, radar, time-of-flight) in powered devices. The only non-software components Elliptic Labs’ solutions require are a device’s existing speaker(s) and microphone(s), augmented by existing sensors as desired. This allows original equipment manufacturers (Elliptic Labs’ customers) to cut costs, reduce sourcing risk, and minimize their CO2 footprint, whose sensors Elliptic Labs replaces or enhances using its AI Virtual Smart Sensor Platform. Elliptic Labs is a software-only company, meaning it only sells software solutions.

Some of Elliptic Labs’ hardware “competitors” have nonetheless chosen to partner with Elliptic Labs as either a platform partner or a go-to-market partner, to take advantage of the enhanced performance Elliptic Labs’ software may bring to their hardware sensors. Platform partnerships involve Elliptic Labs incorporating at least one of its sensor solutions into one or more of that partner’s products. Go-to-market partnerships promote Elliptic Labs’ solutions to potential new platform partners and markets. The graphic below showcases some of Elliptic Labs’ partners.



6.1.1 Replacing and augmenting various hardware sensors

6.1.1.1 Introduction

Elliptic Labs’ main competitors are hardware sensor manufacturers. The Group has not discovered any software-based competitors that do exactly what Elliptic Labs does. The Group’s value proposition compared to hardware sensor manufacturers is that it reduces costs, reduces supply chain risk, and reduces the carbon footprint of devices, while giving similar or enhanced performance. The table below shows examples of the different types of hardware sensors that Elliptic Labs’ software solutions compete against, as well as their respective price comparisons.

Markets	Hardware sensors	Sensor cost per unit, USD
Smartphone	Infrared Sensor	USD 0.10 – 0.25
Laptop/Tablet	Time-of-Flight Sensor/Radar Sensor	USD 2.50 – 4.00
Smart TV	Time-of-Flight Sensor	USD 2.50
IoT	Time-of-Flight Sensor/Infrared Sensor	USD 0.10 – 2.00
Automotive	Radar Sensor	USD 10.00 – 20.00

Source: Company Information

6.1.1.2 Infrared hardware sensors

According to Elliptic Labs, hardware infrared (“**IR**”) sensors are used by most smartphones to provide proximity detection, which enables them to lock their screen when a user is taking a phone call. Also according to the Company, these sensors often possess limited features, whereas Elliptic Labs’ AI Virtual Proximity Sensor (as defined in Section 7.2.1.1) provides the same proximity functionality as infrared does but can also provide additional features (e.g. gestures) for a fee if the customer wishes.

6.1.1.3 Time-of-flight hardware sensors

Based on the Company’s experience, time-of-flight (“**ToF**”) sensors are used in PCs, laptops, tablets, smart TVs, and IoT products. These sensors use infrared light to determine the distance between the sensor and the subject. They are often used for presence detection and security applications. For instance, laptops can use ToF sensors to detect the presence or absence of a user and unlock/lock the screen accordingly. Even though ToF sensors use infrared light, they are more advanced than traditional IR sensors, since ToF sensors can produce 3D images of their surroundings from a single snapshot by measuring the time it takes light to travel from the sensor to an object. IR sensors do not have this capability. According to the Company, ToF sensors can be very expensive, especially for devices that require more than one. Elliptic Labs brings value through license agreements such as the one it signed with Bosch, where it added its AI virtual smart sensors into Bosch’s spexor product. In doing so, Elliptic Labs replaced three industrial-grade ToF sensors, which, based on the Company’s experience, significantly reduced the cost of producing the spexor device while still providing the same presence-detection capability.

6.1.1.4 Radar hardware sensors

Elliptic Labs is also looking to either replace or improve the performance delivered by radar sensors in vehicles. Radar sensors are conversion devices that transform microwave-echo signals into electrical signals. Radar sensors analyse an object’s position, motion characteristics, shape, and motion trajectory to determine its overall motion behaviour. According to the Company, manufacturers can reduce costs by replacing radar sensors with Elliptic Labs’ AI virtual smart sensors, which are not only cheaper, but which also provide additional feature capabilities such as breathing and heartbeat detection. These features can prove important for triggering an alert if someone in a vehicle is having a potential problem.

6.1.1.5 Ultrasonic hardware sensors

There are ultrasound hardware sensors available in the market today that Elliptic Labs’ technology can replace as well. Even though Elliptic Labs uses ultrasound as a key ingredient in its AI virtual smart sensors, it does not manufacture or use a dedicated ultrasound hardware sensor. Elliptic Labs is a pure software only company. Instead, Elliptic Labs utilizes a device’s built-in sound system (standard microphones and speakers) and uses a non-audible frequency (ultrasound) to deliver user experiences. Lack of hardware sensor constraints further allows Elliptic Labs to adjust its detection range depending on a system’s capabilities and a customer’s preferences. The typical requested detection range for Elliptic Labs’ AI Virtual Smart Sensors’ is five meters – a distance that already outperforms many single-purpose hardware sensors, but which is still below the AI Virtual Smart Sensor’s maximum capability.

6.1.2 Competitors, hardware sensor manufacturers

Elliptic Labs has various competitors in different markets, most producing hardware sensors that provide competing functionality. Most of Elliptic Labs’ competitors are large corporations with significant financial resources compared to Elliptic Labs. However, in the Company’s opinion, Elliptic Labs’ software sensors have clear advantages over traditional hardware sensor alternatives. In the table below, the Company contrasts itself with some examples of hardware sensor manufacturers in various relevant market segments.

Examples of industry players/competitors, partners, customers and potential customers

Market	Competitors	Home country
Smartphone	STMicroelectronics	USA
	AMS	Austria
	TDK InvenSense	USA
	Renesas Electronics	Japan
	Texas Instruments Incorporated	USA
Laptop/tablet	Bosch	Germany
	Infineon Technologies	Germany
	Texas Instruments Incorporated	USA
	Panasonic Corporation	Japan
	Novelda	Norway
Smart TV	Texas Instruments Incorporated	USA
	Panasonic Corporation	Japan
	Infineon Technologies	Germany
	Sony Corporation	Japan
	Samsung	South-Korea
IoT	Crunchfish	Sweden
	Texas Instruments Incorporated	USA
	Panasonic Corporation PointGrab	Japan
	Novelda	Israel
		Norway
Automotive	Bosch	Germany
	Continental	Germany
	Infineon Technologies	Germany
	Hella KGAA	Germany
	Smart Microwave Sensors	Germany

Source: Company Information

6.2 Market opportunity

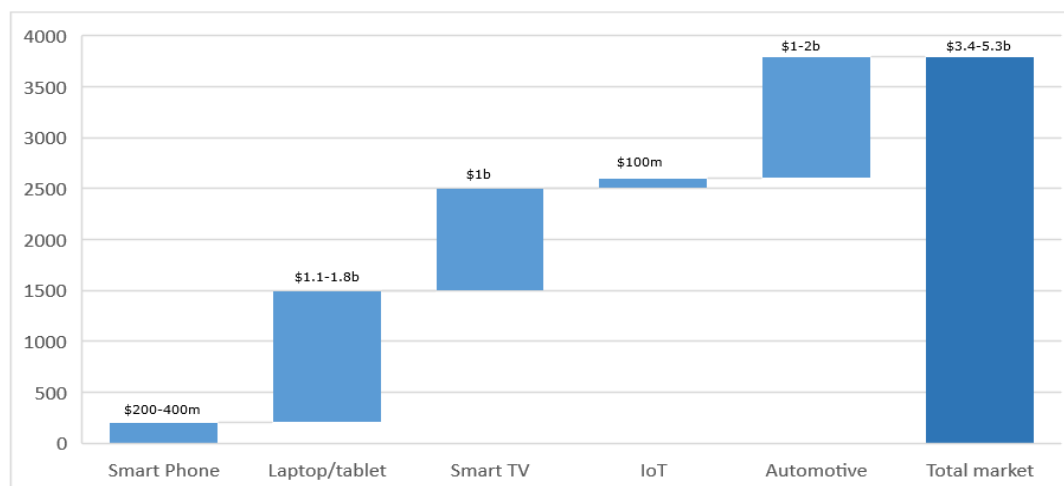
Historically, Elliptic Labs has focused on the smartphone market. Its software is, according to the Company, currently installed in hundreds of millions of smartphones around the world through manufacturers such as Xiaomi, Black Shark, OnePlus, Honor, and Smartisan. Xiaomi is one of the largest smartphone manufacturer in the world by units⁵ and is one of Elliptic Labs' most consistent customers.

Looking ahead, Elliptic Labs will particularly target the laptop market, where clear, security-driven, and reduction-of-power-consumption use-cases for presence detection exists. However, historically, no sensor has according to the Company been integrated to fulfil those use-cases on a broad scale. Elliptic Labs recently signed a commercial contract with a global top-three PC/laptop manufacturer,⁶ and it has proof-of-concept ("PoC") contracts with five other leading PC/laptop manufactures.

Elliptic Labs' software also has market opportunities in IoT devices, tablets, smart TVs, and vehicles. Elliptic Labs has estimated the total market opportunity at USD 3.4 – 5.3 billion (NOK 29 – 46 billion) at current hardware sensor prices. Elliptic Labs has not been able to identify any significant software sensor competitors that provide equivalent behaviour and performance, and which are positioned as a first mover in the space.

⁵ <https://www.canalys.com/newsroom/global-smartphone-market-q2-2021>

⁶ <https://newsweb.oslobors.no/message/538009>



Source: Company Information

Product area	Key product features	Market opportunity	PoC/Contract
Smartphone	<ul style="list-style-type: none"> - Proximity sensor to turn off the screen when a call is initiated - Gestures to control the phone 	USD 200 – 400 million	Contract
Laptop/Tablet	<ul style="list-style-type: none"> - Device locks screen when the user is not present and unlocks screen when the user returns - Breathing, heartbeat, fall detection and Connectivity 	USD 1.1 – 1.8 billion	PoC/Contract
Smart TV	<ul style="list-style-type: none"> - Presence detection to pause a program or turn on/off the screen to save power when the user is not present - Hand gesture control of the TV 	USD 1 billion	PoC
IoT	<ul style="list-style-type: none"> - Presence detection for smart speakers, volume adjustments - Power saving based on presence Gestures to interact with smart devices without touch 	USD 100+ million	PoC/Contract
Automotive	<ul style="list-style-type: none"> - Detect the presence of adults, children and animals in a car - Detect the temperature in the car, breathing patterns and more - Control music, maps and screens without touch 	USD 1.0 – 2.0 billion	N.A

Source: Company Information

Elliptic Labs offers different AI Virtual Smart Sensors that deliver features for the various market segments, though some are applicable across several segments (e.g., human presence detection is relevant for the smartphone, laptop, smart TV, and IoT areas). Customers can also choose to implement multiple features at once prior to sale or potentially even post-sale through over-the-air updates (e.g., incorporating presence detection in their devices first and then adding gesture detection later). In theory, Elliptic Labs could even backport its software to a manufacturer's already-sold devices currently in the market via an over-the-air software update. Elliptic Labs' software solutions don't require any additional hardware sensors, enabling its customers to completely dispose of the hardware sensors they previously utilized, saving manufacturing costs in the process. The price per unit that Elliptic Labs charges increases with each added feature, which allows Elliptic Labs to grow through upselling.

Elliptic Labs has signed PoC contracts in all the different product areas. It has signed several PoC contracts with one laptop manufacturer alone and has PoCs with five other leading laptop manufacturers. The Company also signed a software licencing agreement with Bosch to integrate Elliptic Labs' technology in Bosch's new IoT device, spexor. See Section 7.3 below for a further breakdown of the markets.

7 BUSINESS OF THE GROUP

This Section provides an overview of the Group's business as of the date of this Prospectus. The following discussion contains forward-looking statements that reflect the Group's plans and estimates (see Section 4.4 "Cautionary note regarding forward-looking statements" above). This Section should be read in conjunction with other parts of this Prospectus, in particular Section 2 "Risk factors".

7.1 Introduction to the Group

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 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. It carried out an initial public offering in the Euronext Growth market in October 2020.

Elliptic Labs 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.

7.2 The Group's principal activities

7.2.1 Technology

7.2.1.1 INNER BEAUTY® AI Virtual Proximity Sensor

Elliptic Labs' INNER BEAUTY AI Virtual Proximity Sensor is an AI virtual smart sensor that enables the creation of exquisite full-screen devices by eliminating the need for traditional hardware proximity sensors ("**INNER BEAUTY**" or the "**AI Virtual Proximity Sensor**"). Proximity sensors are an indispensable part of every smartphone, alerting the phone to turn off the screen and to disable touch functionality whenever a user was on a call. Prior to INNER BEAUTY's debut, this functionality was provided by hardware-based optical proximity sensors, which took up important device real estate, increased manufacturing complexity and cost, and required thick bezels to operate. According to the Company, INNER BEAUTY was the world's first software-based proximity solution to match and even exceed hardware-sensor performance.

According to Elliptic Labs, INNER BEAUTY allows original equipment manufacturers ("**OEM**") to reclaim their design integrity by eliminating the need for dedicated optical sensors and for the unsightly black orifices and thick bezels they require to function. By replacing hardware sensors with software, the INNER BEAUTY AI Virtual Proximity Sensor is an environmentally-friendly solution that minimizes cost, diminishes component waste and reduces supply chain issues for OEMs.

7.2.1.2 AI Virtual Gesture Sensor

Elliptic Labs' AI virtual gesture sensor is a 3D touch-free gesture technology based on ultrasound that enables simple, intuitive user interactions (the "**AI Virtual Gesture Sensor**"). The AI Virtual Gesture Sensor, powered by Elliptic Labs' AI Virtual Smart Sensor Platform, features a 180-degree-wide field of view that allows users to perform natural hand movements in the air above, below, in front of, or to the side of their device. The AI Virtual Gesture Sensor enables many types of 3D gestures that can be customized to produce a variety of effects, such as swiping the air to scroll through pictures without touching a screen, double tapping in the air to turn off alarms and take pictures remotely, and approaching a phone with one's hand to increase/decrease its volume.

7.2.1.3 AI Virtual Presence Sensor

Elliptic Labs' AI virtual presence sensor delivers presence-detection capabilities that enable a device to respond automatically when a user enters or leaves an environment (the "**AI Virtual Presence Sensor**"). For instance, a device might "wake" itself up when a user enters the room and then go to sleep/turn off to save power when it perceives that the user has left. A master device running Elliptic Labs' presence sensor could be used to control other smart appliances/lights in the same room as well. The AI Virtual Presence Sensor allows smart devices to respond to users in the most natural and convenient way possible. In the Company's view, the AI Virtual Presence Sensor offers the widest field of view compared to other sensing technologies and remains robust in varying light conditions.

7.2.1.4 AI Virtual Connection Sensor

Elliptic Labs' AI virtual connection sensor provides a convenient way to pair and authenticate smart devices running the sensor when the devices are in the same room (the "**AI Virtual Connection Sensor**"). It uses ultrasound to provide quick, simple, direct, and accurate connection, eliminating the possibility of private information being accidentally received by a device in another room or even outside the building. The AI Virtual Connection Sensor also allows for easy network authentication by enabling building visitors whose devices have the sensor to join a Wi-Fi network without needing to type in a code or password, while still keeping external users out.

7.2.1.5 AI Virtual Security Sensor

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

7.2.1.6 AI Virtual Position Sensor

The AI Virtual Position Sensor allows a laptop/display to correctly extend itself onto an ancillary device by determining the position of that device relative to the main display. This eliminates the need for users to use complicated settings menus to correctly link the displays together. The secondary display can even be moved around the main display and the sensor will correctly track its position and update the content it displays in accordance with the primary system.

7.2.1.7 AI Virtual Vitals Sensor

Elliptic Labs' AI virtual vitals sensor detects a person's heartbeat and breathing rates (the "**AI Virtual Vitals Sensor**"). Elliptic Labs' AI Virtual Smart Sensor Platform leverages the increased granularity and sensitivity of mmWave radar hardware sensors (such as the one used in Google's Pixel 4 smartphone) to offer the AI Virtual Vitals Sensor. The sensor uses AI and signal processing to successfully handle the complex process of detecting the micro-movements involved in a person's breathing motions and heart beats. According to the Company, the AI Virtual Vitals Sensor increases safety and health by enabling standard mass-market devices like smartphones, laptops, IoT, and vehicles to accurately monitor a user's vital signs.

7.2.2 Applications

7.2.2.1 Smartphones

The INNER BEAUTY AI Virtual Smart Proximity Sensor empowers smartphone OEMs to design full-screen smartphones by eliminating the need for IR hardware sensors. According to the Company, prior to the introduction of INNER BEAUTY, smartphones required large bezels to cover and house hardware sensors. These bezels were riddled with apertures required for hardware sensors to function, making them unsightly as well as space-consuming. In Elliptic Labs' view, INNER BEAUTY's arrival on the market empowered smartphone OEMs to finally modernize their smartphone designs by eliminating bezels and maximising screen size, changing the aesthetic potential of smartphones forever.

According to Elliptic Labs, the AI Virtual Gesture Sensor is innovating smartphone interaction in a similar way. The AI Virtual Gesture Sensor extends the user's interaction zone beyond the smartphone's screen, providing the capacity for users to iterate through emails, pictures, songs or documents by simply gesturing in the air. For instance, a double tap in the air might snap a picture, launch an application or start/stop media. A user could even automatically silence a ringing phone by simply reaching for it. In the Company's view, all gestures associated with the AI Virtual Gesture Sensor are easy and intuitive to perform, requiring minimal-to-no training in order to learn them.

7.2.2.2 Laptops

Privacy and security on work laptops is becoming increasingly critical as devices are transported around and even outside of a traditional office environment.⁷ Elliptic Labs' AI Virtual Security Sensor alerts the computer to a user's presence/absence. This enables the computer to maximize power conservation and to improved security by putting the hard drive to sleep and locking the screen when the user steps away. The AI Virtual Security Sensor can then detect when the user returns to the laptop, engaging the laptop's authentication process to automatically unlock the screen.

As with all of Elliptic Labs' AI virtual sensors, the AI Virtual Security Sensor is software-only, enabling laptop manufacturers to incorporate new or improved features into their devices without, based on the Company's experience, incurring hardware costs or supply chain issues.

7.2.2.3 Smart Speakers

Until recently, smart speakers have been voice or touch activated, and they respond with varying degrees of accuracy. According to Elliptic Labs, the AI virtual smart sensors make interacting with smart speakers more convenient, efficient, and automated. The AI Virtual Presence Sensor enables smart speakers to respond to a user's presence directly by turning on/off lights or adjusting media volume without needing their explicit instruction. The AI Virtual Gesture Sensor allows users to control smart-speaker behaviour in a more intuitive way using natural gestures such as swiping the air to skip to the next song.

7.2.2.4 Smart Televisions

According to Elliptic Labs, the AI Virtual Presence Sensor makes television viewing a more convenient and seamless experience. The sensor detects when a user is present or absent from a room, allowing the television to play and pause a show automatically, go into sleep mode or even turn off completely off as soon as a user leaves, further reducing power consumption and maximizing screen integrity.

⁷ [6 Steps to Practice Strong Laptop Security | Okta](#)

7.2.2.5 Smart Appliances

Elliptic Labs' AI Virtual Smart Sensor Platform can enable efficient and intuitive smart home appliances behaviour. Its AI Virtual Presence Sensor can be used to control when a smart appliance should wake/sleep or turn on/off. The AI Virtual Gesture Sensor can anticipate a user's needs from passive actions such as the start of an approach, to more deliberate actions such as swiping or double-tapping the air. This allows devices to respond to users' intentions before receiving direct commands, and it also enables more specialized functions without the need for touch or voice interaction, offering great hygiene and privacy benefits.

7.2.2.6 Automotive

Elliptic Labs' AI Virtual Vitals Sensor allows automobiles to detect and monitor their occupants' breathing and heartbeat rates, ensuring that the vehicle is aware of potential problems. This is particularly important for detecting when small children or pets are left unattended. The European New Car Assessment Programme ("**NCAP**"), which issues automobile safety ratings, will begin awarding points for Child Presence Detection starting in 2023.⁸

The AI Virtual Gesture Sensor allows users to control a car's media console without having to touch it, enabling, in the Company's view, safer behaviour by ensuring a driver's eyes never have to leave the road.

7.2.2.7 Smart Hygiene

According to Elliptic Labs, a big part of the smart home is the smart bathroom, which should strive to minimize water and energy waste while maximizing occupant autonomy and cleanliness. This is especially true for the smart toilet, which is why Elliptic Labs' AI Virtual Presence Sensor is designed to inform a toilet when it should raise or lower its lid/seat and even when it should flush based on a user's presence.

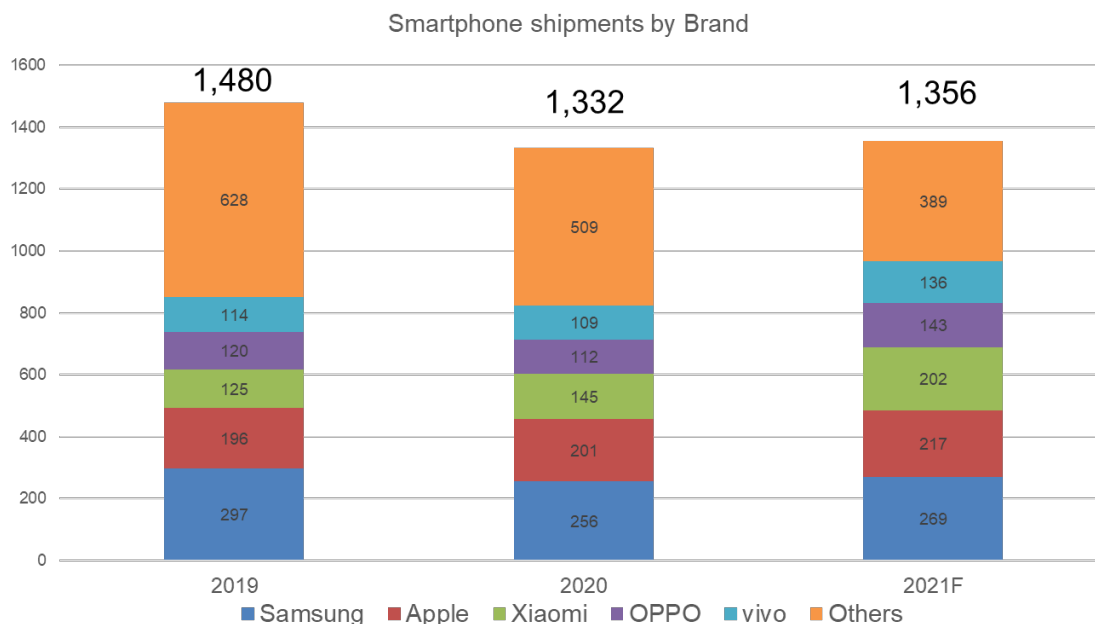
7.3 Competitive strengths and competition

Elliptic Labs competes in four primary markets: smartphones, IoT, laptops, and automotive.

7.3.1 *The smartphone market*

In 2019, the size of the smartphone market was approximately 1.5 billion units shipped. In 2020, the market size was slightly down due to COVID. For 2021, the total figures are expected to increase slightly again. Smartphone manufacturers are concentrated in Asia, predominantly in China.

⁸ [cars that want the five Euro NCAP stars must include a child detection system – geaRXNews](#)

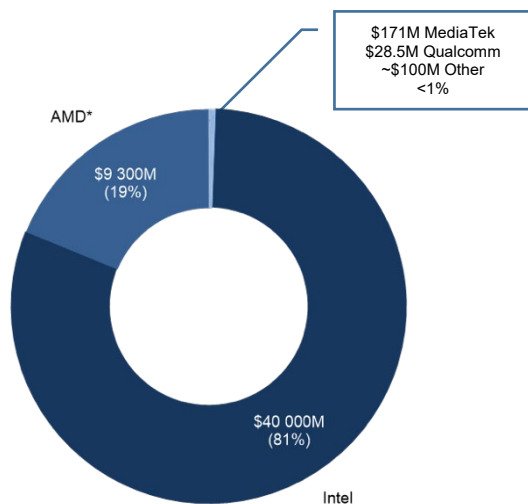


Source: Company Information base of [Global Smartphone Market Share: By Quarter \(counterpointresearch.com\)](https://www.counterpointresearch.com/global-smartphone-market-share-by-quarter)

7.3.2 The laptop market

The top three laptop manufacturers are Hewlett Packard, Lenovo, and Dell. These three manufactures account for approximately 47% of the total market, including desk-based PCs, notebook PCs, ultra-mobile premiums (such as Microsoft Surface), and Chromebooks. Elliptic Labs deems the PC market to be its next large vertical.

2021 PC/Laptop CPU Market Share
(Revenue) Partners



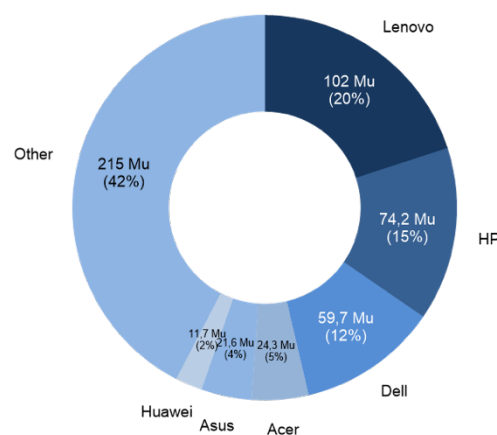
*AMD does not separate revenues from its CPU & Graphics businesses

Source: AMD 2021 Financial Report, Qualcomm 2021 QCT Revenue Streams Report and Intel

2021 Financial Report, Strategic Analytics 2021 Arm-based Notebook PC Processor Revenue

Report

2021 PC/Laptop/Tablet Volumes
(Millions of units — Mu) Customers



Source: [Gartner WW PC Shipments Report 2021](#) and [IDC WW Personal Computing Device Tracker Report 2021](#)

7.3.3 *The IoT Market*

The IoT Market is a large, diversified market with many different use-cases involving devices that connect to the Internet. These devices often share data and information with each other behind the scenes in order to increase the speed, convenience, and intuition of their features for consumers. In some cases, they can even automate simple processes like reordering supplies based on contextual tracking. Today, there are an estimated 13.8 billion Internet of Things (“IoT”) devices in service, IoT connected devices worldwide is projected to amount to 30.9 billion units by 2025,⁹ and this number is expected to grow to 50 billion over the next decade.¹⁰ Examples of IoT devices include but are not limited to smart speakers, smart TVs and smart appliances.

7.3.4 *The automotive market*

The automotive market size was about 85 million units in 2020.¹¹ Car manufacturers are increasingly differentiating their vehicles through new in-cabin experiences. A particularly important area of growth is child presence detection, which will alert the driver and/or emergency services if a child is left alone in a vehicle. Starting in 2023, the NCAP will reward vehicles with higher safety ratings if they include this feature.

7.4 **Vision and strategy**

Elliptic Labs develops intelligent software sensors that use AI, ultrasound and sensor fusion to detect people, their actions and their surroundings. The Group’s mission is to make every device smarter and more environmentally-friendly. 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.

Elliptic Labs will leverage its credibility for having already installed AI virtual smart sensors into hundreds of millions of devices in order to activate new, high-volume, vertical markets such as laptops, smart appliances, and smart TVs.

The Group leverages its partners’ sales organizations in order to identify and drive sales opportunities. It 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.

In contrast to the smartphone and laptop markets where a few, high-volume players dominate, the IoT market comprises in the Company’s view many players shipping comparatively lower volumes across many product lines. To address this fragmentation, Elliptic Labs will leverage those platforms that have its AI Virtual Smart Sensor Platform embedded. In addition, the Group is further developing its AI Virtual Smart Sensor Platform into a Machine Learning as a Service (“MLaaS”) platform, with an aim to give customers a streamlined and direct method of creating, testing, and generating AI virtual smart sensors on their own.

The market in which the Group operates is unpredictable and under rapid development (see Section 2.2.1 above), which may affect the Company’s future operations. In this market space, there might be disruptive and rapidly changing technologies, that might be challenging for the Company in the future. The Group believes that it has a leading position within the field that it operates. However, there are companies within the same technology segment that have massive development capacities, and the likes of Google LLC, Amazon.com, Apple Inc. and Samsung have vast resources to spend on development compared to the resources of the Group. To continue to be able to

⁹ • [Global IoT and non-IoT connections 2010-2025 | Statista](#)

¹⁰ [21+ Internet of Things Statistics, Facts & Trends for 2022 \(findstack.com\)](#)

¹¹ [Global Automotive Market Analysis and Outlook to 2030: Electric, Hybrid Electric, Plug-In Hybrid Electric, Mild Hybrid, Natural Gas, Fuel Cell Electric, Diesel, Petrol \(yahoo.com\)](#)

attract and retain adequate qualified personnel in order to develop and succeed at the Group's current level might also be a challenge in the future.

To mitigate the challenges that the Group may face in the different markets for Smartphone, PC and IoT in which it operates, the Company has developed the following strategy to achieve its goals:

- i) Partners: Leverage eco-system partners, i.e. Intel Corporation, Advanced Micro Devices, Inc., Mediatek Inc. and Qualcomm, that the Group has built relationships with over the past decade in order to become the de facto standard for virtual presence detection – particularly in those markets where the Group's partners dominate – by embedding Elliptic Labs software into their platforms;
- ii) Scalable technologies: Build a scalable platform that delivers gesture, presence and vitals detection at scale;
- iii) Current customers and market validation: Leverage current success of hundreds of millions of devices featuring Elliptic Labs' technology to expand in current markets and to enter new "high-volume, few-customers" vertical markets (e.g., laptop/smart TV);
- iv) Expand partnerships and improve overall platform to support fragmented markets (e.g., IoT); and
- v) Proactive recruitment to anticipate future growth and a sensible approach on how to leverage international resources versus partner resources.

7.5 History and important events

The table below shows the Group's key milestones from its incorporation to the date of this Prospectus.

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

Month, year	Main events
Jan 2016	Elliptic Labs launches BEAUTY Ultrasound Proximity Software, which replaces hardware-based proximity sensors in smartphones, making phones sleeker and less expensive
Feb 2016	Elliptic Labs announces EASY IoT, the first ultrasound-based user interface solution for IoT devices
Oct 2016	Elliptic Labs announces the first innovation in proximity detection since Apple rolled out its initial smartphone in 2007. Called INNER BEAUTY®, the technology debuts in a new phone, the "MIX" launched by Xiaomi
Jan 2017	Elliptic Labs expands its footprint in Asia by opening a Beijing office, bringing new staff onboard and adding key executives
Feb 2017	Elliptic Labs announces INNER PEACE™, an innovative advance in technology that takes presence detection to new levels and is aimed at the fast-multiplying market for intelligent personal assistants and similar devices
Sept 2017	Xiaomi moves into mass production of INNER BEAUTY with the Mi MIX 2, utilizing technology from Elliptic Labs to create the thinnest bezel on any phone
Nov 2017	Elliptic Labs announces key additions to its executive staff to help the Company build on the successes of its technology in the mobile phone market
	Xiaomi's Mi MIX 2 Unibody Special Edition in white and black colours becomes available and features a full-screen display made possible by Elliptic Labs' INNER BEAUTY
Dec 2017	Elliptic Labs announces that its touch-free ultrasound gesture technology is running on the Qualcomm® Snapdragon™ 845 Mobile Platform using the Snapdragon Neural Processing Engine (NPE)
Feb 2018	Elliptic Labs launches its INNER REFLECTION gesture technology for smart speakers at Mobile World Congress (MWC)
Mar 2018	Xiaomi launches the fourth generation of its smartphone, the Mi MIX 2S, powered by Elliptic Labs INNER BEAUTY
April 2018	Introduction of the Nut 3 smartphone by Chinese phone manufacturer Smartisan combining style, features, and affordability enabled by technology from Elliptic Labs
	Elliptic Labs receives the first place, Gold award in "Innovation in Technology Development" as part of the 2018 Asia-Pacific Stevie® Awards
May 2018	Release of the new Smartisan Nut R1 phone with a cleaner design and bigger display area due to Elliptic Labs' INNER BEAUTY Ultrasound Virtual Proximity Sensor
June 2018	Elliptic Labs and AAC Technologies announce their partnership to deliver an ultrasound reference design for speakers and receivers
Oct 2018	Elliptic Labs named 2018 "Small Business of the Year" by Business Intelligence Group
	Elliptic Labs' AI Virtual Proximity Sensor INNER BEAUTY III enables full screen design for Xiaomi's Mi MIX 3
Dec 2018	Elliptic Labs and Solomon Systech combine ultrasound and capacitive technology for OEMs to remove IR proximity sensors from smartphones
Jan 2019	Elliptic Labs INNER REFLECTION™ wins "Connected Home Speaker Solution of the Year" with IoT Breakthrough Awards; and is demonstrated at CES
Feb 2019	Elliptic Labs' INNER REFLECTION™ presence detection technology is a finalist in the Edison Awards for smart devices
	Launch of the new Xiaomi Mi 9 and Mi 9 SE smartphones, which uses Elliptic Labs' INNER BEAUTY Virtual Proximity Sensor™ to replace a phone's traditional hardware proximity sensor with pure software
April 2019	Elliptic Labs receives the EU Horizon 2020 SME Instrument Phase 2 grant of € 2.1 million
May 2019	Elliptic Labs environmentally-friendly AI Virtual Smart Sensor INNER BEAUTY III enables Xiaomi Mi Mix 3 5G
	INNER BEAUTY AI Virtual Smart Sensor from Elliptic Labs gives full screen and cleaner design to OnePlus 7 series smartphones
Aug 2019	Elliptic Labs announces that a major Asian smartphone manufacturer has signed a licensing agreement for Elliptic Labs' products, representing their next set of design wins this year with that customer
Sept 2019	Elliptic Labs announces that a major Asian smartphone manufacturer has signed a licensing agreement for Elliptic Labs' products

Month, year	Main events
	<p>Elliptic Labs' INNER BEAUTY AI Virtual Proximity Sensor empowers the newly released Xiaomi Mi MIX Alpha's dual-screen design, giving consumers a display that curves 360-degrees for maximum screen-to-body ratio</p> <p>Launch of the new flagship OnePlus 7T smartphone powered by Elliptic Labs' INNER BEAUTY AI Virtual Proximity Sensor</p>
Nov 2019	<p>Launch of the Mi CC9 Pro which is the tenth Xiaomi smartphone to use Elliptic Labs' INNER BEAUTY AI Virtual Proximity Sensor</p> <p>Elliptic Labs joins MediaTek's rich IoT platform to bring new smart device features to consumers and smart homes</p>
Dec 2019	<p>Elliptic Labs announces that INNER BEAUTY®, will be an integral component of the Xiaomi Redmi K30 smartphone models, the first phones in the Redmi series to feature Elliptic Labs' technology</p> <p>Elliptic Labs announces contract design win with top Asian smartphone OEM for the INNER BEAUTY® AI Virtual Smart Proximity Sensor technology</p> <p>Elliptic Labs announces contract for two new design wins for its AI Virtual Proximity Sensor technology INNER BEAUTY</p>
Jan 2020	<p>MediaTek expands rich IoT program with new partners to drive innovation in the intelligent devices market</p> <p>Elliptic Labs introduces new presence and gesture sensing capabilities for next-generation smart devices running on audio amplifier technology from Texas Instruments (TI)</p>
Feb 2020	<p>Elliptic Labs launches two new design wins, Xiaomi Mi 10 and Mi 10 Pro smartphones, empowered by Elliptic Labs' AI Virtual Proximity Sensor INNER BEAUTY®</p> <p>Elliptic Labs launches an AI Virtual Smart Sensor presence solution used to improve the security of data stored on laptops</p>
Mar 2020	Elliptic Labs launches a new design win for Xiaomi Redmi K30 Pro smartphone
April 2020	Elliptic Labs and Xiaomi announce the Mi 10 Youth and Mi 10 Lite smartphones, the latest Xiaomi smartphones to feature Elliptic Labs' INNER BEAUTY® AI Virtual Proximity Sensor
June 2020	<p>Elliptic Labs announces that it has joined the Qualcomm® Platform Solutions Ecosystem and that its AI Virtual Smart Sensor Platform™ is available to OEMs designing devices based on the Qualcomm® Snapdragon™ 865 Mobile Platform</p> <p>Elliptic Labs signs a contract in a new design win that will incorporate Elliptic Labs' INNER BEAUTY® AI Virtual Proximity Sensor into a smartphone model for a top Asian OEM</p>
July 2020	Elliptic Labs signs a contract with a new smartphone OEM customer in Asia that will incorporate Elliptic Labs' INNER BEAUTY® AI Virtual Proximity Sensor into their next smartphone model
Sept 2020	<p>Elliptic Labs signs a contract for a proof-of-concept project with one of the world's top three laptop/PC manufacturers</p> <p>Extension of partnership between Elliptic Labs and Infineon Technologies AG, adding support for Infineon's mmWave Radar sensor to Elliptic Labs' Virtual Smart Sensor Hub™</p> <p>Elliptic Labs signs a contract for a proof-of-concept project with a large Asian Laptop OEM</p> <p>Elliptic Labs announces that has licensed its AI software to a large device manufacturer under an annual \$ 3 million software license agreement</p> <p>Elliptic Labs onboards new smartphone customer and signs a software licensing agreement for its INNER BEAUTY® AI Virtual Proximity Sensor™</p> <p>Elliptic Labs and Xiaomi launch Xiaomi's new Mi 10T Lite smartphone with INNER BEAUTY® AI Virtual Proximity Sensor™</p>
Oct 2020	<p>CEO Laila Danielsen is named the winner of a Gold Stevie® Award in the "Female Entrepreneur of the Year" category in the 17th annual Stevie® Awards for Women in Business. She is also the bronze winner of the "Most Innovative Woman of the Year" in the Technology category</p> <p>Elliptic Labs announces a successful completion of a private placement</p> <p>Elliptic Labs is admitted to trading on Merkur Market (now Euronext Growth)</p> <p>ByteDance (the company behind TikTok) and Elliptic Labs release a new smartphone, Smartisan Nut R2, that relies on Elliptic Labs' INNER BEAUTY® AI Virtual Proximity Sensor to enable its bezel-free design</p>

Month, year	Main events
	Elliptic Labs announces its collaboration with MediaTek, a world-leading fabless semiconductor company, to standardize Elliptic Labs' ultrasound framework to its award-winning line of SoCs designed for mobile devices
Nov 2020	Elliptic Labs announces Proof-of-Concept Agreement with a top-tier laptop manufacturer
	Elliptic Labs announces it has secured an agreement to license its software to a large smart-appliance OEM in Asia. The license allows the OEM to integrate Elliptic Labs' AI Virtual Smart Sensor technology into their smart refrigerators
	Elliptic Labs announces the first touch-free gesture proof-of-concept contract with one of the world's top three PC manufacturers
	Elliptic Labs joins Xiaomi (the world's third largest smartphone manufacturer) in announcing the launch of Xiaomi's mass-volume Redmi Note 9 Pro smartphone
Dec 2020	Elliptic Labs and Xiaomi, the fastest growing smartphone manufacturer in Europe, launch the flagship smartphone Xiaomi Mi 11
Feb 2021	Elliptic Labs launches its AI Virtual Proximity Sensor, INNER BEAUTY® on Xiaomi's Global Flagship Mi 11 Smartphone
Mar 2021	Elliptic Labs signs a software license agreement contract with a large new customer that plans to produce 100 million smartphones in 2021
	Elliptic Labs announces another design launch with Xiaomi, powering both Xiaomi's top selling Redmi Note 10 (Qualcomm Snapdragon 678 chipset) and Note 10s (Mediatek Helio G95 chipset) smartphones with its software-only AI Virtual Smart Sensor Platform
	Elliptic Labs expands to Taiwan and signs proof-of-concept contract with a new PC OEM
	Elliptic Labs announces that Lars Holmøy is appointed as the new CFO and Head of Investor Relations (IR)
	Elliptic Labs announces design launch with leading gaming smartphone manufacturer, Black Shark
	Elliptic Labs ships its AI Virtual Proximity Sensor INNER BEAUTY® Shipping on Xiaomi's Mi 11 Lite and Mi 11 Lite 5G Smartphones
Apr 2021	Elliptic Labs expands its collaboration with Qualcomm for Windows laptops and tablets powered by Snapdragon compute platforms
	Elliptic Labs' AI Virtual Smart Sensor launches on Xiaomi's first gaming smartphone, the Redmi K40 Gaming Edition
May 2021	Elliptic Labs collaborates with Cirrus Logic to bring next-generation user experiences to PC, laptop, and smartphone customers
	Elliptic Labs announces it has signed a third contract for a proof-of-concept project with one of the top three laptop/PC manufacturers
	Elliptic Labs AI Virtual Smart Sensors launch on Latest Xiaomi's latest smartphone – the Redmi Note 10 Pro
Jun 2021	Elliptic Labs announces proof-of-concept project with a leading Taiwanese laptop original design manufacturer
	Elliptic Labs signs first proof-of-concept agreement for smart TV market with a leading global smart TV manufacturer
	Elliptic Labs announces launch of first smartphone design win with HONOR Smartphone, the HONOR 50 SE
	Elliptic Labs signs license agreement with grow platform GmbH, a Bosch company
Jul 2021	Elliptic Labs signs first enterprise software license contract with leading laptop OEM
	Elliptic Labs and Maxim Integrated offer low-power touchless sensing solutions to PC and smart speaker/TV developers
Sept 2021	Elliptic Labs signs another license agreement with a current smartphone customer for it to use Elliptic Labs' INNER BEAUTY® AI Virtual Proximity Sensor
	Elliptic Labs completes a private placement raising a total of NOK 166 million
	Elliptic Labs signs contract with a large smartphone customer for the use of Elliptic Labs' INNER BEAUTY® AI Virtual Proximity Sensor
	Elliptic Labs launches an AI Virtual Smart Sensor on Xiaomi's Mi 11T Smartphone

Month, year	Main events
	Elliptic Labs signs a significant enterprise license agreement with Xiaomi
Oct 2021	Elliptic Labs launches an AI Virtual Smart Sensor on two Black Shark smartphones
	Elliptic Labs signs proof of concept agreement with a leading global smart TV manufacturer
	Elliptic Labs announces collaboration with Syntiant, to bring advanced Human Presence Detection capabilities to IoT devices like spexor by Bosch
	Elliptic Labs launches its AI Virtual Proximity Sensor on high volume Redmi's smartphones Note 11 and Note 11 Pro
Nov 2021	Elliptic Labs signs proof-of-concept agreement with a leading PC OEM for All-in-One PC system
Dec 2021	Elliptic Labs launches its AI Virtual Proximity Sensor INNER BEAUTY® on HONOR's latest smartphones, the HONOR 60 and HONOR 60SE, based on the contract announced in June 2021
	Elliptic Labs signs software license agreement with new customer, an Asia-based smartphone manufacturer, for seven smartphone models
	Elliptic Labs announces collaboration with Intel Corporation, the leading vendor in the PC market, for the use of Elliptic Lab's AI Virtual Smart Sensor Platform™ on all Intel-based PCs and IoT devices
Jan 2022	Elliptic Labs submits application for listing to the Oslo Stock Exchange
	Elliptic Labs converts from a private limited liability company into a public limited liability company
	Elliptic Labs announces that its AI Virtual Proximity Sensor™ has been chosen by Xiaomi for four upcoming Redmi Note smartphone models
Feb 2022	Elliptic Labs launches its AI Virtual Proximity Sensor INNER BEAUTY® on Xiamo's Redmi K50 Gaming smartphone
	Elliptic Labs and Lenovo jointly launch the first software-only human presence detection AI Virtual Presence Sensor on Lenovo's ThinkPad T14 laptop

7.6 Research and development

As Elliptic Labs develops its own patented and unpatented software, and 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. The Group uses substantial efforts in its R&D activities in relation to the Group's patented software (see Sections 7.2.1 and 7.2.2 above), as well as in the continuous development of unpatented software and new technology.

Going forward, Elliptic Labs intends to invest significant resources in R&D activities to create new, attractive solutions that deliver features demanded by the markets in which the Company will operate.

7.7 Material agreements outside the ordinary course of business

Since January 2020, Elliptic Labs has not entered into any material agreements or other agreements containing rights or obligations of material importance to the Company, apart from agreements entered into as part of the Company's ordinary course of business. Considering its current state of development, it is Elliptic Labs' opinion that the Company's existing business and profitability are not dependent upon any single contract. However, please refer to the agreements described in Section 7.2 "*The Group's principal activities*" above, which will be important for the Company's future business development.

7.8 Environmental, health and safety matters

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 ecological footprint. This is highly attractive to Elliptic Labs'

customers, many of whom aim to be not only carbon neutral but actually carbon negative. In addition, Elliptic Labs' 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.

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. Elliptic Labs emphasizes a workplace where diversity is valued and where every employee can develop their individual skills and talents. No 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.

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.

7.9 Dependency on contracts, patents and licences

The Group's intellectual property includes registered patents and patent applications, trademarks, domain names, and trade secrets. The Group has 56 registered patents related to its business, and 51 patent applications pending. Notwithstanding that certain technologies are particularly important for taking advantage of market opportunities, the Group believes that its success does not depend on any single patent or license, manufacturing process, proprietary technology, know-how or other registered intellectual property rights. However, the Group's patent portfolio used in combination with each other, and the specific hardware, is what makes the Group's AI Virtual Smart Sensor Platform work for the given task at hand. The Group's AI Virtual Smart Sensor Platform entails complex software and signal processing, and different patents of the Group's patent portfolio are an essential part of making the platform work on any given device. As the Group continues to explore the potential of the AI Virtual Smart Sensor Platform and related works, it continues to develop and seek patents for its inventions.

Furthermore, it is the Group's opinion that its existing business and profitability are not dependent upon any single industrial, commercial, or financial contract. However, the Group operates in a highly competitive environment, where two of the markets in which the Group operates are dominated by a few very large vendors. As described in Section 2.2.2 *"The Group's markets are highly competitive"* above, the market situation entails that losing or failing to secure one large vendor would leave few left to succeed with, which in turn would have an impact of the future success of the Group in the short to medium term.

Future success of Elliptic Labs is also depends on its ability to utilize its patents in combination with each other, continue to develop technology and patent this technology. As described in Section 2.2.5 *"The Group's performance will depend on successful introduction of new products and enhancements to existing products"* above, failure to continue to develop new technologies would have a material effect on the Group's future success.

7.10 Regulatory framework

7.10.1 Data protection laws and regulations

The Group develops technology that processes personal data related to individuals, and often consumers. The Group also deals globally with business partners that integrate the Group's technology in their products and services. This exposes the Group to data protection laws and regulations in multiple jurisdictions which impose stringent requirements and potentially high penalties for material non-compliance. The Group is also subject to the data protection laws and regulations in the jurisdictions where the Group has operations.

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. 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. 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. 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 EUR 20 million, 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 as a result of reputational damage.

7.10.2 *Notable regulatory developments in Europe*

7.10.2.1 European legislation specific to AI

Although currently there are no regulations in Europe specific to technologies using AI, the segment as a regulatory area is under rapid development. A Norwegian national strategy for AI was published in 2020, and the Norwegian Data Protection Authority launched a regulatory sandbox for the development of responsible AI.

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

- Harmonized rules for the placing on the market, the putting into service and the use of artificial intelligence systems (“**AI systems**”) in the EU;
- Prohibitions of certain AI practices;
- Specific requirements for high-risk AI systems and obligations for operators of such systems;
- 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 systems.

7.10.2.2 Modernising the product liability rules

In Europe, there are national liability regimes that regulate various liability claims for damages caused by products and services. In addition, the EU Directive 85/374/EEC concerning liability for defective products (the “**Product Liability Directive**”) specifically regulates claims against the producer for damage caused to a consumer due to the defectiveness of a product, and imposes strict liability on the producer of a product for any damage caused by a defect in their product, provided that the injured party proves the damage, the defect and the causal link between the two. The regulations mentioned above cover producers of AI systems. However, there are often challenges in applying liability rules on AI systems, inter alia due to their complexity, ever-changing nature and opacity.

In June 2021, the European Commission published the Inception Impact Assessment for an initiative to adapt liability rules to the digital age and circular economy. Part of the objective is to provide clarifications on the applicability of the product liability rules as set out in the Product Liability Directive for intangible products such as digital content, software and data. The assessment particularly mentions AI-equipped products and AI-based services as relevant areas to be included in an update and clarification of the scope of the liability rules.

If the revision of the Product Liability Directive is carried out in the direction and according to the objectives stated above, it may become easier for the users of a product or service to seek compensation from the Group for damages, and the Group would subsequently be exposed to increased liability risk.

7.11 Insurance

The Group maintains a range of insurance coverage in relation to its business such as is customary for its industry, including, but not limited to, property damage and business interruption insurance, product liability insurance and carriage of goods insurance, employees' accident and travel insurance, and general liability and loss/damage insurance from natural disasters. The Group further has insurances in place for the Board Members, the CEO and other members of the Management against certain liabilities that they may incur in the capacity of their positions with the Company.

The Group considers itself to be adequately covered with regard to the nature of the business activities it engages in and the related risks in the context of available insurance offerings and premiums. Management regularly reviews the adequacy of the insurance coverage. However, no assurance can be given that the Group will not incur any damages that are not covered by its insurance policies or that exceed the coverage limits of such insurance policies.

7.12 Legal and arbitral proceedings

From time to time, the Group may become involved in litigation, disputes and other legal proceedings arising in the course of its business. Neither Elliptic Labs, nor any other company in the Group is, nor have been, during the course of the preceding twelve months, involved in any legal, governmental or arbitration proceedings which may have, or has had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability, and the Company is not aware of any such proceedings which are pending or threatened.

8 CAPITALIZATION AND INDEBTEDNESS

8.1 Introduction

The financial information presented in this Section 8 provides information about the Group's unaudited consolidated capitalization and net financial indebtedness on an actual basis as of 30 September 2021. There have been no changes to the Group's unaudited consolidated capitalization and net financial indebtedness since 30 September 2021.

The financial information presented below should in its entirety be read in connection with the financial information included elsewhere in this Prospectus, in particular Section 9 "Selected Historical Financial Information and Other Information", Section 10 "Operating and financial review", as well as the Financial Information and related notes, incorporated by reference to this Prospectus.

8.2 Capitalization

The following table sets forth information about the Group's unaudited consolidated capitalization as of 30 September 2021, derived from the Interim Financial Statements.

(in NOK million)	As of 30 September 2021 (unaudited)	Adjustment	As Adjusted
Current debt			
Guaranteed	0	0	0
Secured	6.4 ¹	0	6.4
Unguaranteed/unsecured	8.7 ²	0	8.7
Total current debt	15.1	0	15.1
Non-current debt			
Guaranteed	0	0	0
Secured	12.2 ³	0	12.2
Unguaranteed/unsecured	0	0	0
Total non-current debt	12.2	0	12.2
Total liabilities (A)	27.4	0	27.4
Shareholders' equity			
Share capital	1.0	0	1.0
Legal reserves	0	0	0
Other reserves	320.3 ⁴	0	320.3
Total equity (B)	321.3	0	321.3
Total capitalization (A+B)	348.7	0	348.7

Notes:

- 1) Comprising NOK 4 million in debt to Innovasjon Norge classified as current. Security provided in inventory and accounts receivable. NOK 2.4 million in current lease liabilities (IFRS 16). Lease liabilities are secured in right-of-use assets.
- 2) Comprising NOK 1.8 million in trade and other trade payables, NOK 0.3 million in tax payable, NOK 1.0 million in public duties payables, and NOK 5.6 million in other short term liabilities.
- 3) Comprising NOK 11 million in debt to Innovasjon Norge classified as non-current. Security provided in inventory and accounts receivable. NOK 1.2 million non-current lease liabilities (IFRS 16). Lease liabilities are secured in right-of-use assets.

- 4) Comprising NOK 320.1 million in paid-in equity, NOK 0.5 million in other equity and NOK -0.3 million in foreign currency rate differences.

8.3 Net financial indebtedness

The following table sets forth information about the Group's unaudited net financial indebtedness as of 30 September 2021, derived from the Interim Financial Statements.

(in NOK million)	At 30 September 2021 (unaudited)	Adjustment	As Adjusted
(A) Cash	208.7 ¹	0	208.7
(B) Cash equivalents	0	0	0
(C) Trading securities	0	0	0
(D) Liquidity (A)+(B)+(C)	208.7	0	208.7
(E) Current financial receivables	0	0	0
(F) Current bank debt	0	0	4
(G) Current portion of non-current debt	0	0	0
(H) Other current financial debt ³	6.4 ^{2) 3)}	0	6.4
(I) Current financial debt (F)+(G)+(H)	6.4	0	6.4
(J) Net current financial indebtedness (I)-(E)-(D)	-202.3	0	-202.3
(K) Non-current loans ⁴	11 ²	0	11
(L) Bond issues	0	0	0
(M) Other non-current financial debt ⁵	1.2 ³	0	1.2
(N) Non-current financial indebtedness (K)+(L)+(M)	12.2	0	12.2
(O) Net financial indebtedness (J)+(N)	-190.1	0	-190.1

Notes:

- 1) As extracted from the line item "Cash and cash equivalents" in the Interim Financial Statements, comprising only cash and non-cash equivalents.
- 2) Total debt to Innovasjon Norge NOK 15 million whereas NOK 11 million is classified as non-current and NOK 4 million is classified as current.
- 3) Recognized lease liabilities on the balance sheet amount to NOK 3.7 million whereas NOK 1.2 is classified as non-current and NOK 2.4 million is classified as current.

9 SELECTED HISTORICAL FINANCIAL INFORMATION AND OTHER INFORMATION

9.1 Introduction, basis for preparation

The selected financial information included in this Section has been extracted from the Financial Information, consisting of the Annual Financial Statements as of and for the years ended 31 December 2020, 2019 and 2018 and the Interim Financial Statements as of and for the nine-month period ended 30 September 2021, as defined in Section 4.3.1 “*Financial information*” above. All financial information included in this Section should therefore be read in connection with, and is qualified in its entirety by reference to, the Financial Information, incorporated by reference to this Prospectus, see Section 15.4 below.

9.2 Summary of accounting policies and principles

For information regarding accounting policies and the use of estimates and judgments, please refer to note 1 of the Annual Financial Statements for 2020, incorporated by reference in this Prospectus.

9.3 Auditors

The Company's independent auditor is PricewaterhouseCoopers AS (“**PwC**”), with business registration number 987 009 713 and registered address Dronning Eufemias gate 71, N-0194 Oslo, Norway. The partners of PwC are members of the Norwegian Institute of Public Accountants (Nw.: *Den norske Revisorforening*). PwC has been the Company's independent auditor since the financial year 2018, appointed 8 January 2018.

The Annual Financial Statements have been audited by PwC, and the audit reports are included together with the Annual Financial Statements incorporated by reference in this Prospectus.

With respect to the Interim Financial Statements, PwC has reported that they have applied procedures in accordance with ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Norwegian Institute of Public Accountants. Their separate report is incorporated by reference in this Prospectus and states that they did not audit, and do not express an opinion, on such interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PwC has not audited, reviewed or produced any report on any other information provided in this Prospectus.

9.4 Consolidated income statement

The table below sets out data from the Company's consolidated income statement as derived from the Interim Financial Statements and the Annual Financial Statements.

The development in the comprehensive income is described further in Section 10.4 “*Financial review of the Group's results of operations*”.

(in NOK)	Nine months ended 30 September		Year ended 31 December		
	2021 (unaudited)	2020 (unaudited)	2020 (audited)	2019 (audited)	2018 (audited)
Revenues from contracts with customers	19 929 303	6 144 120	30 215 044	37 957 021	41 580 757
Other operating income	8 438 100	11 326 814	14 517 048	14 726 017	2 031 597
Total revenues and other operating income	28 367 403	17 470 934	44 732 092	52 683 038	43 612 354
Personnel expenses	-32 023 046	-30 641 424	-35 866 003	-45 650 734	-46 964 974
Depreciation and amortization	-6 215 355	-4 070 955	-5 438 634	-4 392 985	-2 115 328
Other operating expenses	-8 926 736	-10 038 782	-13 529 370	-15 631 493	-27 105 463

Operating profit/(loss) (EBIT)	-18 797 734	-27 280 227	-10 101 914	-12 992 175	-32 573 412
Other financial income	1 707 600	1 314 888	1 852 417	307 049	2 180 815
Financial expenses	-2 808 138	-3 756 348	-7 307 470	-4 275 169	-2 843 832
Net financial income/(expenses)	-1 100 538	-2 441 460	-5 455 053	-3 968 120	-663 017
Profit/(loss) before tax	-19 898 272	-29 721 687	-15 556 968	-16 960 295	-33 236 429
Income tax expense	4 360 746	6 319 935	3 046 958	3 703 338	5 115 807
Profit/(loss) for the period	-15 537 526	-23 401 752	-12 510 010	-13 256 956	-28 120 622
Total comprehensive income/(loss) for the period	-15 486 329	-23 267 986	-12 557 270	-13 251 897	-28 178 376
Attributable to:					
Non-controlling interest	0	0	0	0	0
Equity holders of the parent company	-15 486 329	-23 267 986	-12 557 270	-13 251 897	-28 178 376

9.5 Consolidated statement of financial position

The table below sets out data from the Company's consolidated statement of financial position as derived from the Interim Financial Statements and the Annual Financial Statements.

The development in the financial position is commented further in Section 10.5 "*Financial review of the Group's financial position*".

(in NOK)	At 30 September		At 31 December		
	2021 (unaudited)	2020 (unaudited)	2020 (audited)	2019 (audited)	2018 (audited)
Non-current assets					
Deferred tax assets	66 128 758	62 824 614	59 807 034	56 168 887	52 951 662
Intangible assets	32 109 347	20 167 650	28 240 698	16 551 924	9 848 375
Right of use assets	3 348 496	5 580 825	5 022 739	7 255 068	-
Other non-current assets	4 315 268	2 096 913	4 050 298	2 092 437	2 132 711
Total non-current assets	105 901 869	90 673 003	97 120 769	82 068 316	64 932 748
Current assets					
Accounts receivable	10 468 110	1 300 595	426 621	14 309 741	14 770 450
Other current receivables	23 599 041	18 564 471	21 450 508	7 116 584	5 914 235
Cash and cash equivalents	208 704 768	6 616 677	99 724 175	35 873 432	16 623 538
Total current assets	242 771 919	26 481 743	121 601 304	57 299 757	37 308 223
Total assets	348 673 789	117 154 746	218 722 073	139 368 073	102 240 971
Equity and liabilities					
Share capital	1 031 401	875 126	958 459	875 106	856 40
Other equity	320 288 990	58 376 582	187 145 632	79 157 649	46 541 515
Total equity	321 320 390	59 251 708	188 104 091	80 032 755	47 397 915
Lease liabilities	1 125 412	3 552 788	3 001 929	5 205 363	0
Bank borrowings, long term	11 000 000	15 000 000	14 000 000	14 000 000	0
Total long-term liabilities	12 225 412	18 552 788	17 001 929	19 205 363	0
Bank borrowings, short-term	4 000 000	28 403 114	4 000 000	29 431 148	43 007 165
Trade and other payables	1 770 156	2 809 043	988 804	834 715	2 527 440
Tax payable	303 722	0	204 893	162 501	1 079 936
Current lease liabilities	2 433 379	2 165 002	2 203 433	2 049 705	0
Other short-term liabilities	6 620 730	5 973 091	6 218 922	7 651 886	8 228 515
Total current liabilities	15 127 987	39 350 250	13 616 052	40 129 955	54 843 056
Total equity and liabilities	348 673 789	117 154 746	218 722 073	139 368 073	102 240 971

9.6 Consolidated cash flow statement

The table below sets out data from the Company's consolidated statement of cash flow as derived from the Interim Financial Statements and the Annual Financial Statements. The development in cash flow is described further in Section 10.6 "Financial review of the Group's liquidity and capital resources".

(in NOK)	Nine months ended 30 September		Year ended 31 December		
	2021 (unaudited)	2020 (unaudited)	2020 (audited)	2019 (audited)	2018 (audited)
Profit/(loss) before tax	-19 898 272	-29 721 687	-15 556 968	-16 960 295	33 236 429
Adjustment for:					
Taxes paid in the period	12 336	-501 293	-548 797	-431 321	-380 447
Depreciation and amortization	6 215 355	4 070 955	5 438 634	4 392 985	2 115 328
Option based payments	3 191 216	2 550 000	4 036 567	2 871 737	3 718 230
Items classified as financing activities	504 712	1 984 100	2 169 693	2 750 505	1 768 309
Change in accounts receivable	-12 190 023	1 561 259	-450 804	-741 640	-10 559 571
Change in trade payables	781 352	1 974 328	154 089	-1 692 725	1 427 923
Change in other accruals	-735 491	-37 340	-1 920 630	1 763 576	-11 361
Net cash flows from operating activities	-22 118 813	-18 119 678	-6 678 217	-8 047 177	35 158 019
Capitalized development costs	-8 409 762	-7 686 681	-15 102 670	-11 096 535	-8 739 127
Net cash flows from investing activities	-8 409 762	-7 686 681	-15 102 670	-11 096 535	-8 739 127
Repayment of bank borrowings	-2 000 000	-	25 000 000	-	25 007 165
Repayment of lease liabilities	-1 674 243	-1 537 000	-2 232 324	-1 875 949	-
Paid in capital from owners	152 157 318	40 000	125 040 050	43 015 000	-
Transaction costs	-8 520 392	-103 061	-8 448 011	-	-
Payment of interests from bank borrowings	-504 712	-1 984 100	-2 169 693	-2 750 505	-1 768 309
Net cash flows from financing activities	139 457 971	-3 584 161	87 190 022	38 388 546	23 238 856
Net Change in Cash and Cash Equivalents	108 929 395	-29 390 520	65 409 136	19 244 835	-20 658 290
Cash and cash equivalents at the beginning of the period	99 724 175	35 873 432	34 362 299	16 623 538	37 339 583
Effect of foreign currency rate changes on cash and cash equivalents	51 197	133 765	-47 260	5 059	-57 755
Cash and cash equivalents at the end of the period	208 704 767	6 616 677	99 724 175	35 873 432	16 623 538

9.7 Consolidated statement of changes in equity

The table below sets out data from the Company's consolidated statement of changes in equity as derived from the Interim Financial Statements and the Annual Financial Statements.

<i>Nine months ended 30 September 2021</i>	Share capital and premium	Paid-in equity	Other Equity	Foreign currency rate differences	Total equity
<i>(in NOK)</i>					
Shareholders' equity at 01.01.2021	958 459	174 642 552	12 802 077	-298 997	188 104 091
<i>Profit /(loss) for the period</i>	0	0	-15 537 526	0	-15 537 526
<i>Other comprehensive income /(loss) for the period</i>	0	0	0	51 197	51 197
Total comprehensive income /(loss) for the period	0	0	-15 537 526	51 197	15 486 329
Transactions with owners					
<i>Capital increase through issuance of ordinary shares</i>	72 942	152 084 376	0	0	152 157 318
<i>Transactions costs related to issuance of ordinary shares, net of tax</i>	0	-6 645 906	0	0	-6 645 906
<i>Employee share schemes</i>	0	0	3 191 216	0	3 191 216
Shareholders' equity at 30.09.2021	1 031 401	320 081 023	455 768	-247 801	321 320 390
<i>Nine months ended 30 September 2020</i>	Share capital and premium	Paid-in equity	Other Equity	Foreign currency rate differences	Total equity
<i>(in NOK)</i>					

Shareholders' equity at 01.01.2020	875 106	70 323 490	9 085 897	-251 738	80 032 755
Profit (loss) for the period	-	23 401 752	-	-	23 401 752
Other comprehensive income/(loss) for the period		-		133 766	133 766
Total comprehensive income/(loss) for the period		-23 401 752	-	133 766	-23 267 986
Transactions with owners					
Transactions costs at listing	-	-103 061	-	-	-103 061
Capital increase through issuance of ordinary shares	20	39 980	-	-	40 000
Employee share schemes		-	2 550 000		4 036 567
Shareholders' equity at 30.09.2020	875 126	46 961 718	11 532 836	-117 972	59 251 708

Year ended 31 December 2020	Share capital and premium	Paid-in equity	Other Equity	Foreign currency rate differences	Total equity
<i>(in NOK)</i>					
Shareholders' equity at 01.01.2020	875 106	70 643 876	8 765 510	-251 738	80 032 755
Profit (loss) for the period	-	-	-12 510 010	-	-12 510 010
Other comprehensive income/(loss) for the period				-47 260	-47 260
Total comprehensive income/(loss) for the period			-12 510 010	-47 260	-12 557 270
Transactions with owners					
Transactions costs at listing	-	-8 448 011	-	-	-8 448 011
Capital increase through issuance of ordinary shares	83 353	124 956 697	-	-	125 040 050
Employee share schemes		-	4 036 567		4 036 567
Shareholders' equity at 31.12.2020	958 459	174 642 552	12 802 077	-298 997	188 104 091

Year ended 31 December 2019	Share capital and premium	Paid-in equity	Other Equity	Foreign currency rate differences	Total equity
<i>(in NOK)</i>					
Shareholders' equity at 01.01.2019	856 401	6 214 160	40 584 151	-256 797	47 397 916
Profit (loss) for the period	-	-	-13 256 956	-	-13 256 956
Other comprehensive income/(loss) for the period	-	-	-	5 059	5 059
Total comprehensive income/(loss) for the period	-	-	-13 256 956	5 059	-13 251 897
Transactions with owners					
Capital increase through issuance of ordinary shares	18 705	-	42 996 295	-	43 015 000
Employee share schemes	-	2 871 737	-	-	2 871 737
Shareholders' equity at 31.12.2019	875 106	9 085 897	70 323 490	-251 738	80 032 755

Year ended 31 December 2018	Share capital and premium	Paid-in equity	Other Equity	Foreign currency rate differences	Total equity
<i>(in NOK)</i>					
Shareholders' equity at 01.01.2018	856 401	2 495 930	68 704 773	-199 042	71 858 062
Profit (loss) for the period	-	-	-28 120 622	-	-28 120 622
Other comprehensive income/(loss) for the period	-	-	-	-57 755	-57 755
Total comprehensive income/(loss) for the period	-	-	-28 120 622	-57 755	-28 178 376
Transactions with owners					
Capital increase through issuance of ordinary shares	-	-	-	-	-
Employee share schemes	-	3 718 230	-	-	3 718 230
Shareholders' equity at 31.12.2018	856 401	6 214 160	40 584 151	-256 797	47 397 916

9.8 Segment information

9.8.1 Introduction

The Annual Financial Statements for the years ended 31 December 2020, 2019 and 2018 are prepared in accordance with IFRS, and the Interim Financial Statements for the nine-month periods ended 30 September 2021 and 2020 are prepared in accordance with IAS 34. The Financial Information includes no segment reporting due to historically insignificant revenue from other segments than the smartphone market.

This Section sets out an overview of the Group's total revenue and other income divided into "revenues from contracts with customers" and "other operating income". Further revenue from contracts with customers consists of two significant revenue streams:

1. License revenue for IP and subsequent royalties are recognized at such 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 exceeds the minimum fixed fee if any.
2. Development and testing of software (PoC) 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.

The information on revenue and other operating income set out below is extracted from the Financial Information. See Section 10.1.1 "Operating segments and reporting segments" for further discussion on operational and financial measures the Group believes are useful in assessing its historical and future performance.

9.8.2 Total revenue and other operating income for the financial years ended 31 December 2020, 2019 and 2018, and for the nine-month periods ended 30 September 2021 and 2020

The table below sets out total revenue and other operating income divided into "Revenues from contracts with customers" and "other operating income" as extracted from the Financial Information for the financial period covered by this Prospectus:

(in NOK thousand)	Nine months ended 30 September		Year ended 31 December		
	2021 (unaudited)	2020 (unaudited)	2020 (audited)	2019 (audited)	2018 (audited)
Revenues from contracts with customers	19 929	6 144	30 215	37 597	41 581
Other operating income	8 438	11 327	14 517	14 726	2 032
Total revenues and other operating income	28 367	17 471	44 732	52 683	43 612

9.8.3 Distribution of revenue from customers for the financial years ended 31 December 2020, 2019 and 2018, and for the nine-month periods ended 30 September 2021 and 2020.

The table below sets out the distribution of revenue from customers as recognized over time or at point in time for the financial year ended 31 December 2020, 2019 and 2018, and for the nine-month period ended 30 September 2021 and 2020:

(in NOK thousand)	Nine months ended 30 September		Year ended 31 December		
	2021 (unaudited)	2020 (unaudited)	2020 (audited)	2019 (audited)	2018 (audited)
Revenues recognized over time	4 809	0	441	1 725	1 807
Revenues recognized at point in time	15 120	6 144	29 774	35 872	39 774
Total revenue	19 929	6 144	30 215	37 597	41 581

9.9 Geographic information

The table below sets out revenue generated based on the Group's customers' geographic presence for the financial years ended 31 December 2020, 2019 and 2018, and for the nine-month period ended 30 September 2021 and 2020. Note that geographic information has not previously been disclosed in previous financial information prepared by the Group. The information presented below has been prepared in connection with the preparation of this prospectus. The Group expects that geographic information will be disclosed in future financial reporting.

(in NOK thousand)	Nine months ended 30 September		Year ended 31 December		
	2021 (unaudited)	2020 (unaudited)	2020 (unaudited)	2019 (unaudited)	2018 (audited)
Europe (outside Norway)	2 159	2	2	0	0
North America	86	0	0	0	60
China/Asia	17 684	6 142	30 213	37 957	41 520
Total revenue	19 929	6 144	30 215	37 957	41 581

9.10 Related party transactions

9.10.1 Introduction

The Group enters into transactions with related parties who are not part of the Group during the financial year. The Group also enters into transactions with related parties who are part of the Group, and such transactions are eliminated upon consolidated in the Group's financial statements. All transactions have been entered into in accordance with the arms' length principle, meaning that prices and other main terms and conditions are deemed to be commercial.

Set out in Sections 9.10.2 - 9.10.3 below are overviews and summaries of the Group's related party transactions with related parties who are not members of the Group for the period since 1 January 2018 and up to the date of this Prospectus, as extracted from the Financial Information. In addition, some information has been included in this Prospectus which is not extracted from the Financial Information.

9.10.2 Transactions carried out with related parties in the years ended 31 December 2020, 2019 and 2018

The Group had the following transactions with related parties for the year ended 31 December 2020, 2019 and 2018, which are not extracted from the Annual Financial Statements:

- In 2020, the Company engaged Cipriano AS, a company 100% owned by Einar J. Greve, whom at the time served as Board Member, as a strategic advisor for the Group. In accordance with the engagement letter, Elliptic Labs paid Cipriano AS NOK 500 000 in consultancy fees upon completion of a private placement and the admission to trading on Euronext Growth in October 2020. An additional NOK 46,392 was paid to Cipriano AS to cover travel expenses incurred.
- In 2019, the Company engaged Thor A. Tallhaug, through his privately held company Ghibli AS, as Investor Relations responsible and interim CFO. Throughout the period of the engagement Ghibli AS was a material shareholder in Elliptic Labs. For the services provided Elliptic Labs paid Ghibli AS NOK 390 625 in 2019 and NOK 2 256 875 in 2020, respectively.

9.10.3 Transactions carried out with related parties in the nine-month period ended 30 September 2021

The Group had the following transactions with related parties for the nine-month period ended 30 September 2021:

In the period from January to May 2021, Thor A. Tallhaug, through his privately held company Ghibli AS, was engaged as an Investor Relations responsible and temporary CFO. In June 2021, Elliptic Labs entered into a consulting agreement with Thor A. Tallhaug, through Ghibli AS, delivering assistance to the CEO and the CFO on request. This agreement was mutually terminated in September 2021. Throughout the period ended 30 September 2021 Ghibli AS held shares in Elliptic Labs. For the services provided, Elliptic Labs paid Ghibli AS NOK 638,000.

9.11 Working capital statement

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

10 OPERATING AND FINANCIAL REVIEW

This operating and financial review should be read together with the Financial Information and related notes included therein. The Financial Information has been incorporated by reference into this Prospectus.

This operating and financial review should be read together with Section 4 “General information”, Section 7 “Business of the Group”, Section 9 “Selected historical financial information and other information”, and the Financial Information and related notes incorporated by reference to this Prospectus, see Section 15.4 “Documents incorporated by reference”. This operating and financial review contains forward-looking statements. These forward-looking statements are not historical facts, but are rather based on the Group’s current expectations, estimates, assumptions and projections about the Group’s industry, business, strategy and future financial results. Actual results could differ materially from the results contemplated by these forward-looking statements because of a number of factors, including those discussed in Section 2 “Risk factors” of this Prospectus, as well as other sections of this Prospectus. An overview of the APMs discussed in this operating and financial review is presented in Section 4.3.5 “Alternative performance measures”.

10.1 Overview

10.1.1 Operating segments and reporting segments

As at the date of this Prospectus, and as can be derived from the Annual Financial Statements for 2020 and the Interim Financial Statements, the Group has up to now not reported on segments due to the fact that all material revenue from contracts with customers historically comes from customers in the smartphone segment.

Looking ahead, Elliptic Labs targets revenue from multiple operating segments. At the date of this Prospectus, the Management has identified the following operating (market) segments:

- Smartphone market
- Laptop market
- IoT market

Please refer to section 7.2 “The Group’s principal activities” (7.2.2.1 – 7.2.2.7) and section 6.2 “Market Opportunity” for more information regarding the different market segments Elliptic Labs are either present in or targeting going forward.

10.1.2 Key financial targets and profit forecast

In all of the Group’s quarterly reports published since the admission to trading of the Shares on Euronext Growth in October 2020, Elliptic Labs has communicated an outstanding midterm financial target of NOK 500 million in total revenues within two years, and an EBITDA margin of 50%. These financial targets have been re-affirmed in the Interim Financial Statements for Q3 2021. The financial targets remain valid and unchanged and rely on the Company’s continued success in the principal markets in which it operates and on future success in the commercialization of its technology and products. The Company’s financial targets are prepared in accordance with estimates based on the Company’s historical financial information and are consistent with the Company’s accounting policies.

The Group’s continued success is based on the following principal assumptions:

- Elliptic Labs’ proven business model with software deployed at a large scale, delivering an attractive value proposition across multiple verticals;
- Elliptic Labs’ continued growth with existing customers in the smartphone market;
- An enterprise license agreement recently entered into between Elliptic Labs and a top-three PC manufacturer;

- Elliptic Labs' partnership with Intel, making the Company's AI Virtual Smart Sensor Platform available on all Intel-based PCs and IoT devices;
- Elliptic Labs' IoT contract with Bosch for its spexor device; and
- Elliptic Labs' solid AI Virtual Smart Sensor Platform, backed by strong IP and partner eco-system, increasing the entry barrier for the Company's competition.

Assumptions regarding the performance of the Company's competitors, the Company's continued growth through customer contracts and successful continuation of contracts with business partners, are dependent on the performance and will of the Group's competitors and other third parties. Although the Board and Management may influence these factors through the Company's own performance, including through the development of the Company's technology and business model, these assumptions are consequently not under the Board or Management's direct control. If the Group's competitors should develop competing and/or better technologies, this could affect the assumption of Elliptic Labs being able to deliver attractive value proposition across multiple verticals and continued growth with existing customers in the smartphone market.

The outcome of the forecast could be materially changed if factors such as the Group's not succeeding in bringing its AI Virtual Smart Sensor Platform to more customers, or the Group not keeping up with a rapidly evolving and unpredictable market, should materialize. Important trends in the market in which the Group operates may be difficult to predict, including how large the market for the Group's products will be, or when and which products will be adopted. For further details, see Section 2.2 "*Risks associated with the Group's business and the industry in which it operates*" above.

10.2 Principal factors affecting the Group's financial condition and results of operations

The Group's results of operations have been, and will be, affected by a range of factors. The factors that the Company believes to have material effect on the Group's results of operations, and also those considered likely to have material effect on the results of operations going forward, are listed and described below. Please also refer to Section 6 "*Industry and market overview*" for an overview over the main drivers of profitability in the Group's industry.

10.2.1 Customer retention and ability to win new customers

The Group's ability to retain its existing customers, attract recurring customers, and win new customers is important for the Group's revenue and profit going forward. This ability depends on several factors including, but not limited to:

- Continue delivering a competitive AI Virtual Smart Sensor Platform
- Develop and offer a product selection that reflects what customers want, at attractive prices
- Penetrate larger part of the market

The mechanisms to retain existing customers and to attract new customers in the Smartphone and Laptop markets are relatively similar, since those markets are dominated by a few primary vendors who control large portions of them.

The IoT market landscape is vastly different, as there are a number of devices that may be categorized as a IoT devices coming from multiple manufacturers. Elliptic Labs will focus on large brands with high-volume products, as these will benefit the most from Elliptic Labs technology.

10.2.2 Profitability

Elliptic Labs has proven to have a highly-scalable business model with either a volume-based license fee per unit/device, subscription fee, or enterprise license fee. Elliptic Labs demonstrated 68% EBITDA and 63% EBIT margin in the fourth quarter of 2020, showcasing the potential of the business model.

As a software company, the ability to sell the same product/licence repeatedly without incurring additional cost for the Company is a main contributor to Elliptic Labs' profit potential. Elliptic Labs' AI Virtual Sensor Platform does not require any additional cloud service to scale, other than have sufficient staff to support the Company.

10.2.3 Competition

Elliptic Labs has various competitors in different markets, most producing hardware sensors that provide competing functionality to Elliptic Labs' products. Most of Elliptic Labs' competitors are large corporations with significant financial resources compared to Elliptic Labs. However, in Elliptic Labs' view, pure software sensors have clear advantages over traditional hardware alternatives. Please refer to the table in Section 6.1.2 above in which the Company contrasts itself with some examples of hardware sensor manufacturers in various relevant market segments. For more information on the competitive landscape in which the Group operates, see Section 6 "*Industry and Market Overview*".

10.2.4 Growth in total operating income

Elliptic Labs' revenue is currently generated mainly from the smartphone segment, but the Company also has contracts in the laptop and IoT markets. The Company uses a flexible pricing model where it can offer a volume-based licence fee per unit/device, a subscription fee, or an enterprise/annual licence fee. In 2020, 68% of its revenue was generated from contracts with customers and 32% from other sources (e.g., government grants). Revenue from contracts with customers consists of two main revenue streams: 1) licence revenue for IP and subsequent royalties, recognized at the point in time when the software is made available to the customer, and then in increments as minimum production thresholds are met if royalty-based revenue exceeds the minimum fixed fee, if any, and 2) revenue from proof-of-concept contracts and non-recurring engineering work, 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.

10.2.5 Foreign exchange exposure

The Group's sales contracts are predominately in USD and thus, the total operating income will be impacted by currency fluctuations. The Group also has employees in China, Taiwan, US and consequently, its profit is affected by fluctuations in the exchange rates between NOK and foreign currencies.

The Group's current strategy does not include the use of financial instruments to hedge its exposure to currency fluctuations as it has deemed this not critical at this point.

10.2.6 Labour costs

The Group includes both consultants and direct employees. The competence requirements and number of employees will vary based on activity level. The salary level is assumed to be competitive to market level.

10.3 Recent development and trends

10.3.1 Recent developments

10.3.1.1 General

The Company believes that since the close of the financial period that ended 31 December 2020, the market for AI virtual smart sensors has continued to develop positively for the Group. The positive development and momentum across the Group's business segments (being smartphones, laptops, and IoT) have seen positive revenue developments year on year, from the first to the third quarter of 2021, compared to the first to the third quarter of 2020. The first quarter of 2021 showed a 12.9% increase in total revenue and other operating income

year on year. The second quarter of 2021 showed a 20.3% increase in total revenue and other operating income, whereas revenue from contracts with customers increased by 84.7%. For the third quarter of 2021, the increase in total revenue and other operating income was 127.6%, whereas revenue from contracts with customers increased by 278.8%.

10.3.1.2 Uncertainties around the global supply chain constraints

As the Group sells software only, it is not directly affected by supply chain risks, dependencies inventory, or raw material costs. However, the global supply chain constraints¹² may affect the Group's customers and thus indirectly affect the Group.

The global supply chain constraints have so far not had any negative impact on the two major verticals that the Group operates in.¹³

10.3.1.3 Overall focus on energy consumption and carbon neutral and negative plans¹⁴

The Company experiences an increased focus by customers and other market participants on obtaining solutions that decrease carbon footprint, and Elliptic Labs' technology is, in the Company's view, well positioned to take advantage of this market trend. Elliptic Labs' AI Virtual Smart Sensor Platform can replace hardware sensors with software, reducing component waste, and its presence-detection capabilities can assist the vendors in decreasing the amount of power consumed by devices, by telling them to shut down power when no user is detected.

The Group continues to develop and iterate on its technology and continuously files for patents as part of its ongoing business.

10.3.2 Significant changes in the financial position or performance of the Group

There has been no significant change in the financial position or the financial performance of the Group since 30 September 2021.

10.4 Financial review of the Group's results of operations

10.4.1 Results of operations for the nine-month period ended 30 September 2021 compared to the nine-month period ended 30 September 2020

10.4.1.1 Total revenue and other operating income

Total revenue and other operating income for the nine-month period ended 30 September 2021 were NOK 28.4 million compared to NOK 17.5 million as of 30 September 2020, an increase that was primarily due to strong growth in licenses, sold to both existing customers and new customers.

10.4.1.2 Operating costs

Operating costs for the nine-month period ended 30 September 2021 were NOK 47.2 million compared to NOK 44.8 million as of 30 September 2020, an increase that was primarily due to an increase in personnel resulting in higher personnel expenses. Increased depreciation and amortization costs also contributed.

¹² [PC makers focus on business customers as supply chain problems continue | ZDNet](#)

¹³ [The PC market just had another big year thanks to pandemic demand - The Verge](#) and [Global Smartphone Shipments to Grow 5.3 Percent in 2021 Despite Supply Chain Issues: IDC | Technology News \(ndtv.com\)](#)

¹⁴ [When Big Companies Are Going Carbon Neutral, from Amazon to Netflix \(brightly.eco\)](#)

10.4.1.3 Operating profit/(loss)

The operating profit/(loss) for the nine-month period ended 30 September 2021 was NOK -18.8 million compared to NOK -27.3 million as of 30 September 2020, an improvement that was primarily due to increase in revenue from contracts with customers and improvements in operating efficiency.

10.4.1.4 Loss before tax

Loss before tax for the nine-month period ended 30 September 2021 was NOK 19.9 million compared to NOK 29.7 million as of 30 September 2020, an improvement that was primarily due to increase in revenue from contracts with customers, improvements in operating efficiency, and a decrease in net financial expenses.

10.4.1.5 Finance income and expenses

Financial income and expenses for the nine-month period ended 30 September 2021 were NOK 1.7 million and NOK 2.8 million respectively, compared to NOK 1.3 million and NOK 3.8 million respectively as of 30 September 2020, a net decrease that was primarily due to a decrease in interest expenditures and to exchange rate fluctuations.

10.4.1.6 Other comprehensive income/(loss)

Other comprehensive income/(loss) for the nine-month period ended 30 September 2021 was NOK 0.05 million compared to NOK 0.13 million as of 30 September 2020, a decrease that was due to foreign currency changes that may be classified to profit and loss.

10.4.2 *Results of operations for the year ended 31 December 2020 compared to the year ended 31 December 2019*

10.4.2.1 Total revenue and other operating income

Total revenue and other operating income for the year ended 31 December 2020 were NOK 44.7 million compared to NOK 52.7 million as of 31 December 2019, a decrease that was primarily due to COVID-19 as customers (especially in China) experienced a slowdown.

10.4.2.2 Operating costs

Operating costs for the year ended 31 December 2020 were NOK 54.8 million compared to NOK 65.7 million as of 31 December 2019, a decrease that was primarily due to a reduction in personnel expenses.

10.4.2.3 Operating profit/(loss)

The operating profit/(loss) for the year ended 31 December 2020 was NOK -10.1 million compared to NOK -13.0 million as of 31 December 2019, an improvement that was primarily due to reduced operating costs compared to 2019.

10.4.2.4 Loss before tax

Loss before tax for the year ended 31 December 2020 was NOK 15.6 million compared to NOK 17.0 million as of 31 December 2019, an improvement that was primarily due to reduced operating costs compared to 2019.

10.4.2.5 Finance income and expenses

Financial income and expenses for the year ended 31 December 2020 were NOK 1.9 million and NOK 7.3 million respectively, compared to NOK 0.3 million and NOK 4.3 million respectively as of 31 December 2019, a net increase that was primarily due to increased interest expenditures and exchange rate fluctuations.

10.4.2.6 Other comprehensive income/(loss)

Other comprehensive income/(loss) for the year ended 31 December 2020 was NOK -0.05 million compared to NOK 0.005 million as of 31 December 2019, a decrease that was due to foreign currency changes that may be classified to profit and loss.

10.4.3 *Results of operations for the year ended 31 December 2019 compared to the year ended 31 December 2018*

10.4.3.1 Total revenue and other operating income

Total revenue and other operating income for the year ended 31 December 2019 were NOK 52.7 million compared to NOK 43.6 million as of 31 December 2018, an increase that was primarily due to increase in governmental grants recognized as other operating income.

10.4.3.2 Operating costs

Operating costs for the year ended 31 December 2019 were NOK 65.7 million compared to NOK 76.2 million as of 31 December 2018, a decrease that was primarily due to reductions in other operating expenses.

10.4.3.3 Operating profit/(loss)

The operating profit/(loss) for the year ended 31 December 2019 was NOK -13.0 million compared to NOK -32.6 million as of 31 December 2018, an increase that was primarily due to increase in other operating income and decrease in operating expenses.

10.4.3.4 Loss before tax

Loss before tax for the year ended 31 December 2019 was NOK 17.0 million compared to NOK 33.2 million as of 31 December 2018, an increase that was primarily due to improved operating profits.

10.4.3.5 Finance income and expenses

Financial income and expenses for the year ended 31 December 2019 were NOK 0.3 million and NOK 4.3 million respectively, compared to NOK 2.2 million and NOK 2.9 million respectively as of 31 December 2018, an increase that was primarily due to increased interest expenditures and exchange rate fluctuations.

10.4.3.6 Other comprehensive income/(loss)

Other comprehensive income/(loss) for the year ended 31 December 2019 was NOK 0.005 million compared to NOK -0.06 million as of 31 December 2018, an increase that was due to foreign currency changes that may be classified to profit and loss.

10.5 **Financial review of the Group's financial position**

10.5.1 *Total assets*

As of 30 September 2021, the Group's total assets were NOK 348.7 million compared to NOK 117.2 million as of 30 September 2020, an increase that was primarily due to successfully raising capital in October 2020 (net proceeds NOK 125 million) and September 2021 (net proceeds NOK 150 million) respectively, significantly improving the Group's cash balance.

As of 31 December 2020, the Group's total assets were NOK 218.7 million compared to NOK 139.4 million as of 31 December 2019, an increase that was primarily due to raising NOK 125 million in October 2020, significantly improving the Group's cash balance compared to prior year.

As of 31 December 2019, the Group's total assets was NOK 139.4 million compared to NOK 102.2 million as of 31 December 2018, an increase that was primarily due to raising NOK 43 million in new capital in 2019 as well as significant improvements in cash flow from operations in 2019 compared to 2018.

10.5.2 Total equity

As of 30 September 2021, the Group's total equity was NOK 321.3 million compared to NOK 59.2 million as of 30 September 2020, an increase that was primarily due to capital increase through issuance of new shares.

As of 31 December 2020, the Group's total equity were NOK 188.1 million compared to NOK 80.0 million as of 31 December 2019, an increase that was primarily due to capital increase through issuance of new shares.

As of 31 December 2019, the Group's total equity were NOK 80.0 million compared to NOK 47.4 million as of 31 December 2018, an increase that was primarily due to capital increase through issuance of new shares.

10.5.3 Total liabilities

As of 30 September 2021, the Group's total liabilities were NOK 27.4 million compared to NOK 57.9 million as of 30 September 2020, a decrease that was primarily due to repayment of interest bearing debt with NOK 25 million in October 2020, lowering the Group's current liabilities.

As of 31 December 2020, the Group's total liabilities were NOK 30.6 million compared to NOK 59.3 million as of 31 December 2019, a decrease that was primarily due to repayment of interest-bearing debt with NOK 25 million in October 2020, lowering the Group's current liabilities.

As of 31 December 2019, the Group's total liabilities were NOK 59.3 million compared to NOK 54.8 million as of 31 December 2018, an increase that was primarily due to the Group implementing IFRS 16 on 1 January 2019, resulting in a right of use assets and corresponding lease liability of NOK 7.3 million, recognized in the balance sheet.

10.6 Financial review of the Group's liquidity and capital resources

10.6.1 Sources and use of cash

As most of the business of the Group is operated by the Company, the Group's principal sources of liquidity are revenue from customers and external financing from equity owners to the Company. The main portion of the Group's cash balance is therefore held at the Company's level to cover the daily liquidity requirements of the operations.

10.6.2 Cash flows

10.6.2.1 Operating cash flows

Net cash flow from operating activities for the nine-month period ended 30 September 2021 was NOK -22.1 million compared to NOK -18.1 million for the nine-month period ended 30 September 2020, a decrease that was primarily due to improved profit before tax for the period ending 30 September 2021 compared to the same period in 2020.

Net cash flow from operating activities for the year ended 31 December 2020 was NOK -6.7 million compared to NOK -11.3 million for the year ended 31 December 2019, an increase that was primarily due to improved profit before tax, and a larger portion of the costs in the income statement without cash-effect, compared to prior period.

Net cash flow from operating activities for the year ended 31 December 2019 was NOK -11.3 million compared to NOK -35.2 million for the year ended 31 December 2018, an increase that was primarily due to improved profit before tax from 2018 to 2019.

10.6.2.2 Investing cash flows

Net cash flow from investment activities for the nine-month period ended 30 September 2021 was NOK -8.4 million compared to NOK -7.7 million for the nine-month period ended 30 September 2020, a decrease that was primarily due to increased investments in development activities.

Net cash flow from investment activities for the year ended 31 December 2020 was NOK -15.1 million compared to NOK -9.4 million for the year ended 31 December 2019, a decrease that was primarily due to increased investments in development activities.

Net cash flow from investment activities for the year ended 31 December 2019 was NOK -9.4 million compared to NOK -8.7 million for the year ended 31 December 2018, a decrease that was primarily due to increased investments in development activities .

10.6.2.3 Financing cash flows

Net cash flow from financing activities for the nine-month period ended 30 September 2021 was NOK 139.5 million compared to NOK -3.6 million for the nine-month period ended 30 September 2020, an increase that was primarily due to paid in capital from owners of NOK 152 million in September 2021.

Net cash flow from financing activities for the year ended 31 December 2020 was NOK 87.2 million compared to NOK 38.4 million for the year ended 31 December 2019, an increase that was primarily due to increase in paid in capital from owners from NOK 43 million in 2019 to NOK 152 million in 2020.

Net cash flow from financing activities for the year ended 31 December 2019 was NOK 38.4 million compared to NOK 23.2 for the year ended 31 December 2018, an increase that was primarily due to paid in capital from owners of NOK 43 million in 2019 compared to NOK 0 in 2018.

10.7 Investments

10.7.1 Principal historical investments

All investment activity of the Group in the period covered by this prospectus consists of investments into the Group's technology and R&D activities. The table below sets out an overview of the material investments made by the Group during the years ended 31 December 2020, 2019 and 2018, and the nine month period ended 30 September 2021:

(in NOK thousand)	Nine-month period ended 30 September	Year ended 31 December		
	2021	2020	2019	2018
Capitalized patents	1 137	1 419	1 450	2 259
Capitalized development	7 200	13 684	7 925	6 904
Expensed R&D	7 000	7 200	15 000	19 900

The information provided in the table above is extracted from the Financial Information.

10.7.1.1 Patents

Elliptic Labs develops its own software and patents and is expected to continue to develop its technology to further deliver new products and enhance its performance. The Group's patents cover important aspects of using ultrasound and virtual smart sensors for smartphones, laptops and IoT devices, including acoustics, signal processing, and user interfaces. Capitalized patents consist of costs incurred related to both pending and granted patents.

10.7.1.2 Capitalized development

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized 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 capitalized as part of the software include employee costs and overheads that are directly attributable to developing the asset and that can be allocated on a reasonable and consistent basis.

10.7.1.3 Expensed R&D

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

10.7.2 *Principal investments in progress and planned principal investments*

The Group plans to continuously invest in current and new technology in the next couple of years in order to compete in the different market segments the Group are targeting going forward. This means future investment levels are expected to be on par with recent years' investment levels.

There are no planned or in-progress processes with regards to merger or acquisition activities going forward.

10.8 **Financing and other contractual obligations**

As of the date of this Prospectus, the Group has the following financing arrangement with Innovasjon Norge in place. As of the date of this Prospectus, there are no off-balance sheet arrangements.

10.8.1 *Loan from Innovasjon Norge*

On 27 March 2015, the Company entered into a NOK 20 million secured loan agreement with Innovasjon Norge. An amount of NOK 1 million plus accrued interest fall due every quarter until 2024. The loan has a floating interest rate. Carrying value as of 30 September 2021 was NOK 15 million.

The following key terms apply to the loan:

- Equity ratio shall be minimum 30% and working capital minimum NOK 5 million at the end of reporting to Innovasjon Norge, which shall take place two times a year. If the conditions are not met at the time of reporting, the Company shall be granted a further 60 days to fulfil the conditions.

- The following security is in place:
 - First priority pledge of NOK 20 million in; (i) inventory, and (ii) accounts receivables.
 - Personal guarantee from the chairman of the Board, Tore Engebretsen, of 50% of the balance of the loan.
 - Negative pledge of patents. Innovasjon Norge may also require first priority pledge of the Group's patents.
- A commission to Innovasjon Norge of NOK 2 million shall be paid simultaneously with the last instalment payment (due on 10 June 2024).

10.8.2 Debt repayment, borrowing requirements and leverage ratio

The table below sets forth the estimated costs of the Group's facilities for 2021, 2022 and 2023.

(in NOK thousand)

	2021	2022	2023	Total
Repayments	4 000	4 000	4 000	12 000
Estimated interest costs ¹	656	492	328	1 476

1) Considering an estimated interest rate of 4.10%, and no changes in down payment structure

The table below sets out the Group's leverage ratio and its net interest bearing debt as of 30 September 2021:

As of 30 September 2021	
Leverage ratio	8.5%
Net interest bearing debt	NOK 15 million

11 THE BOARD OF DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

11.1 Introduction

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

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

The Board of Directors has established two sub-committees: an audit committee and a remuneration committee. These committees have been established in accordance with the Corporate Governance Code (as defined below) and comply with applicable laws and regulations for such committees. See Sections 11.7 below for more information on the Company's committees.

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

11.2 The Board of Directors

11.2.1 Introduction

The Articles of Association provide that the Board of Directors shall comprise between four and seven board members, as elected by the Company's shareholders. The current Board of Directors consists of five Board Members, as listed in the table in Section 11.2.2 below.

Pursuant to the Norwegian Code of Practice for Corporate Governance, last updated 14 October 2021 (the "**Corporate Governance Code**"), the composition of the board of directors of a Norwegian public limited liability company listed on a regulated market shall comply with the following criteria: (i) the majority of the shareholder-elected members of the board of directors should be independent of the company's executive management and material business contacts, (ii) at least two of the shareholder-elected board members should be independent of the company's main shareholders (being shareholders holding more than 10% of the shares in the company), and (iii) no member of the company's management should be on the board of directors.

The composition of the Board of Directors is in compliance with the independence requirements of the Corporate Governance Code, meaning that (i) the majority of the shareholder-elected members of the Board of Directors are independent from the Company's executive management and material business connections, (ii) at least two of the shareholder elected members of the Board of Directors are independent of the Company's main shareholders (shareholders holding 10% or more of the shares in the Company), and (iii) no member of the Company's executive management serve on the Board of Directors. With the exception of Board Members Sverre-Tore Larsen and Ingrid E. Leisner, all Board Members holds shares in the Company, directly or indirectly. Except for Tore Engebretsen, chairman of the Board, who controls 10% of the Company's main shareholder, Passesta AS, and Edvin Austbø,

Board Member, who controls one of the Company's main shareholders Alden AS through 100% control of Alden 3 AS, all of the Board Members are independent of the Company's main shareholders. Thus, the above requirements under the Norwegian Corporate Governance Code are met as of the date of this Prospectus.

11.2.2 Composition of the Board of Directors

The names and positions, current term of office and shareholdings of the Board Members as of the date of this Prospectus are set out in the table below. The Company's registered business address serves as business address for the members of the Board of Directors as regards their directorship in the Company.

Name	Position	Served since	Term expires	Shares
Tore Engebretsen ¹	Chairman	2010	2023	12 280 480
Edvin Austbø ²	Board Member	2015	2023	7 403 330
Svenn-Tore Larsen	Board Member	2015	2023	0
Berit Svendsen	Board Member	2019	2023	18 000
Ingrid Leisner	Board Member	2022	2023	0

¹ Tore Engebretsen holds his Shares through Passesta AS, a company of which he holds 10% of the shares.

² Edvin Austbø holds his Shares indirectly through Alden AS, a company of which he indirectly holds 96.86% of the shares.

No Board Members own any options or other securities exchangeable for Shares.

11.2.3 Brief biographies of the Board of Directors

Set out below are brief biographies of the Board Members. The biographies include each Board Member's relevant management expertise and experience, an indication of any significant principal activities performed by such member outside the Company and names of companies and partnerships where the member is or has been a member of the administrative management or supervisory bodies or partner in the previous five years (not including directorships and executive management positions in subsidiaries of the Company).

Tore Engebretsen, chairman of the Board

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

Current directorships and management positions:

Squarehead Technology AS (chairman of the board), Media Network Services AS (chairman of the board), Xplora Technologies AS (chairman of the board), ODI Medical AS (chairman of the board), Tørn AS (chairman of the board), 3D-Radar AS (board member), Wheel.me AS (board member)

Previous directorships and management positions last five years:

-

Edvin Austbø, Board Member

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

<i>Current directorships and management positions:</i>	<i>Alden AS (CEO), Invent Sport AS (board member), Lierthoppen Vest AS (chairman of the board), Eneo Eiendom AS (board member), Leina Holding AS (board member), MTI Vekst AS (board member), Nordstrøno Utvikling AS (chairman of the board), Bødalen Utvikling AS (board member), Drammen Syd Næringseiendom AS (board member), Lierthoppen Tomteselskap AS (chairman of the board), M A Holding AS (chairman of the board and CEO), Jote Invest AS (board member)</i>
<i>Previous directorships and management positions last five years:</i>	<i>Solon Eiendom ASA (board member)</i>

Svenn-Tore Larsen, Board Member

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

<i>Current directorships and management positions:</i>	<i>Nordic Semiconductor ASA (CEO)</i>
<i>Previous directorships and management positions last five years:</i>	<i>-</i>

Berit Svendsen, Board Member

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

<i>Current directorships and management positions:</i>	<i>Vygruppen AS (chair of the board)</i>
<i>Previous directorships and management positions last five years:</i>	<i>Telenor Norge AS (CEO), DNB Bank ASA (board member), SAS AB (board member), Bisnode Norge AS (board member)</i>

Ingrid E. Leisner, Board Member

Ingrid E. Leisner has extensive experience from serving as a board member in several companies listed on the Oslo Stock Exchange, such as Norwegian Air Shuttle ASA and Self Storage Group ASA. Leisner is leading the audit committees in several of the companies where she serves as board member, and has experience in the responsibilities of an audit committee, among others with keeping control with the financial reporting, internal controls and corporate governance. She holds a Bachelor of Business Administration (Siviløkonom) from the University of Texas, where she graduated as an honour student. Furthermore, she has kept her audit expertise up to date through continued coursing. Leisner is a Norwegian citizen residing in Norway.

<i>Current directorships and management positions:</i>	<i>Norwegian Air Shuttle ASA (board member), Self Storage Group ASA (board member), Xplora Technologies AS (board member), Maritime and Merchant Bank ASA (board member), Techstep ASA (board member)</i>
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Previous directorships and management positions last five years:

Spectrum ASA (board member), Vistin Pharma ASA (board member), Hunter Group ASA (board member), Aega ASA (board member), Fortuna Mare ASA (board member)

11.3 Management

11.3.1 Overview

The Group's management currently consists of five individuals. The names of the members of Management and their respective positions are presented in the table below. The Company's registered business address serves as business address for all members of Management in relation to their positions with the Company.

Name	Position	Position held since	Shares ¹	Options ⁴
Laila Danielsen ¹	Chief Executive Officer	June 2013	4 624 150	0
Lars Holmøy ²	Chief Financial Officer	June 2021	37 420	81 500
Espen Klovning ^{1,3}	EVP of Engineering	March 2014	174 670	11 049
Brian Daly	Senior VP Sales & Business Development	April 2018	0	28 756
Britt Narmo	HR Manager	November 2013	8 000	4 636

¹ All Shares held by Laila Danielsen and Espen Klovning are subject to lock-up restrictions as further described in Section 12.8.4 below.

² Lars Holmøy holds his Shares through J12 Invest AS, a company of which he holds 100% of the shares.

³ Espen Klovning holds a number of his Shares through Vicuri AS, a company of which he holds 100% of the shares.

⁴ All options give the right to acquire 10 shares following the share split that was carried out on 30 September 2021.

11.3.2 Brief biographies of the members of the Management

Set out below are brief biographies of the members of the Management. The biographies include the member of Management's relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a member of the Management is or has been a member of the administrative, management or supervisory bodies or partner the previous five years (not including directorships and executive management positions in subsidiaries of the Company).

Laila Danielsen, CEO

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

Current directorships and management positions:

Chronos Invest AS (chair of the board), Neptune Software AS (board member), Pone Biometrics AS (board member)

Previous directorships and management positions last five years:

-

Lars Holmøy, CFO

Lars Holmøy is a seasoned executive with a passion for technology and a proven operational track record. For the last five years, he has served as CFO at two different international tech companies with a focus on finance, business development, strategy, and mergers and acquisitions. Prior to joining the tech industry as a CFO he worked seven years at PwC. Holmøy has Master of accounting and auditing from NHH, and Master of Law from UiB specializing in cross border taxation for e-trading companies, with additional international law studies from the University of Alberta Law, Canada. Lars Holmøy is a Norwegian citizen residing in Norway.

<i>Current directorships and management positions:</i>	<i>J12 Invest AS (chairman of the board), LA-MA AS (chairman of the board), NIMBUS REVISJON AS (board member), Taletech AS (board member),</i>
<i>Previous directorships and management positions last five years:</i>	<i>Taletech AS (CFO), dRofus AS (CFOO)</i>

Espen Klovning, EVP of Engineering

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

<i>Current directorships and management positions:</i>	<i>Vicuri AS (chairman of the board)</i>
<i>Previous directorships and management positions last five years:</i>	-

Brian Daly, Senior VP Sales & Business Development

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

<i>Current directorships and management positions:</i>	-
<i>Previous directorships and management positions last five years:</i>	<i>Goodix Technology (Vice President)</i>

Britt Narmo, HR Manager

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

<i>Current directorships and management positions:</i>	-
<i>Previous directorships and management positions last five years:</i>	-

11.4 Remuneration and benefits upon termination

For the year ended 31 December 2020, the members of the Board of Directors received a total remuneration of NOK 850,000. The compensation for the members of the Board of Directors is approved on an annual basis at the Company's annual general meeting.

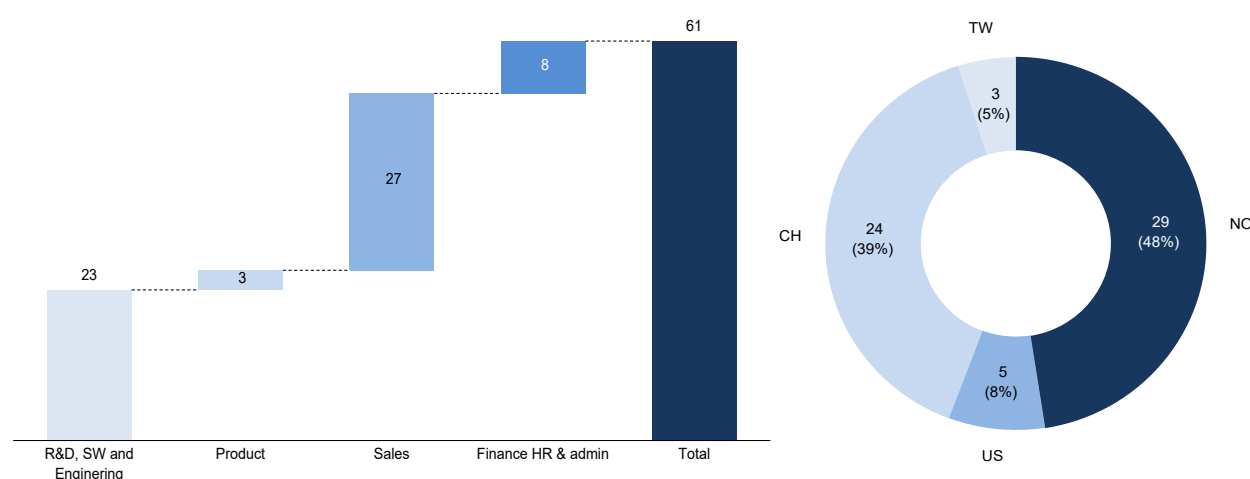
For the year ended 31 December 2020, the compensation to members of the Management amounted to NOK 9,639,887. The remuneration structure comprises primary salaries, bonuses, pension, and other expensed benefits. The Company does not disclose the remuneration of the executive management on an individual basis.

The CEO, Laila Danielsen, is entitled to 3 months base salary upon termination of her employment. Other than this, no member of the Management or the Board of Directors is entitled to any benefits upon termination of their employment or position.

11.5 Employees

The table below shows the development in the numbers of full-time employees and hired personnel of the Group since 31 December 2020 and up to the date of this Prospectus. In addition, the Company will hire interns needed to perform testing of the models and new machine learning algorithms. On average, the Group has approximately 10 interns monthly. For further details about the Group's employees, see note 11 of the Annual Financial Statements for 2020.

	As of 31 December 2020	As of the date of this Prospectus
Total Group	48	61
By legal entity:		
Elliptic Laboratories ASA	40	56
- In Norway	23	29
- In China	16	24
- In Taiwan	1	3
Elliptic Laboratories Inc.	8	5
Healthy Pointers AS	0	0
By main category of activity:		
Finance, human resources and administrative	5	8
R&D, SW and engineering	20	23
Product	4	3
Sales	19	27



11.6 Pensions and retirement benefits

The Company has currently no pension or retirement benefits for its Board Members.

The Group is obliged to have occupational pension pursuant of the Mandatory Occupational Pension Act and has established a scheme with a defined contribution pension for employees in Norway. The scheme complies with the requirements of the Mandatory Occupational Pension Act. Employees in the Norway also have a contractual pension scheme (AFP). Due to the employee's age composition, obligations related to this are not actuated and no obligation has been made relating to this. Management is included in Group's ordinary defined contribution pension schemes. For more information regarding the Group's pension and retirement benefits, see note 11 of the Annual Financial Statements for 2020.

No amounts have been set aside or accrued by the Group to provide for pension, retirement or similar benefits, other than what is required by applicable law in the jurisdictions in which the Group has employees.

11.7 Committees

11.7.1 Nomination committee

As of the date of this Prospectus, the Company has not established a nomination committee, which represents a deviation from the Corporate Governance Code, see Section 11.8 below. The Company will consider the need to establish such committee in connection with the annual general meeting in 2022.

11.7.2 Audit committee

The Board of Directors has, subject to and with effect from the Listing, established an audit committee. The audit committee shall be composed of two Board Members who are appointed for a two-year term. The appointed members of the audit committee are Ingrid E. Leisner (chair) and Berit Svendsen (member), who will serve as members of the audit committee until 2023. The composition of the Company's audit committee is fully compliant with the requirements for qualifications and competence in accounting and auditing set out in the Norwegian Public Companies Act. The composition is also compliant with the Corporate Governance Code.

The audit committee shall assist the board in the preparation of decisions on issues regarding risk assessment, internal control, financial reporting and auditing. The duties of the audit committee are to:

- a) monitor the Company's financial reporting and provide recommendations and proposals to ensure the reliability of the reporting,
- b) monitor the effectiveness of the Company's internal control and risk management insofar as the financial reporting is concerned,
- c) prepare any relevant recommendation whether to re-assess the need for internal auditing,
- d) keep itself informed about the auditing of the annual report and the consolidated annual report,
- e) review and monitor the impartiality and independence of the auditor/auditing firm, with specific focus on other services besides auditing services being provided by the auditor/auditing firm, and
- f) assist in the preparation for the annual general meeting's decision in relation to election of auditors, including through contacts with the nomination committee appointed in accordance with the annual general meeting.

The audit committee will report and make recommendations to the Board of Directors, but the Board of Directors will retain responsibility for implementing such recommendations.

11.7.3 Remuneration committee

The Board of Directors has, subject to and with effect from the Listing, established a remuneration committee composed of two Board Members. The members of the remuneration committee shall be appointed for a two-year term. The appointed members of the remuneration committee are Edvin Austbø (chairman) and Berit Svendsen (member), who will serve as members of the remuneration committee until 2024. 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.

11.8 Corporate governance

The Company has on 10 January 2022 adopted and implemented a corporate governance regime, which will be effective from the date the application for Listing is sent to the Oslo Stock Exchange (i.e. on 10 January 2022). The Company's corporate governance policy is based on, and to a large extent in compliance with, the Corporate Governance Code. As of the date of this Prospectus, the Company deviates from the following recommendations in the Corporate Governance Code:

- The Company has not established a nomination committee. As set out in Section 11.7.1 above, the Company will consider the need to establish such committee in connection with the annual general meeting in 2022.
- The Company encourages shareholders to attend the Company's general meetings. It is also the intention to have representatives of the Board of Directors attending general meetings. However, the Company will normally not have the entire Board attending the meeting as this is considered unnecessary.
- The Company's general meetings will be chaired by the chairman of the Board of Directors or a person appointed by him, as this simplifies the preparations for the general meetings significantly. In the Company's experience, its procedures for the chairmanship and execution of general meetings have proven satisfactory.
- The Board has been granted an authorization by the annual general meeting in 2021 to increase the share capital and to acquire the Company's own shares. As set out in Section 12.6 below, the authorization regarding acquisition of the Company's own shares is not limited to defined purposes, and the authorization to increase the share capital mentions several purposes. Although the Board considers the subsequent flexibility provided by such broad purposes to be in the Company's best interest, future Board authorizations regarding share capital and acquisitions are expected to be restricted to more defined purposes.
- The Board of Directors has not established guiding principles on how to act in the event of a takeover bid, as such situations are normally characterized by concrete and one-off situations which makes a guideline challenging to prepare. In the event a takeover were to occur, the Board of Directors will consider the relevant recommendations in the Corporate Governance Code, and whether the specific circumstances will entail that the recommendations in the Corporate Governance Code can be complied with or not.

Neither the Board of Directors nor the General Meeting has adopted any resolutions which are deemed to have a material impact on the Group's corporate governance regime.

11.9 Conflicts of interests etc.

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

- a) any convictions in relation to indictable offences or convictions in relation to fraudulent offences; or
- b) received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or was disqualified by a court from acting as a member of the administrative,

management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

The Board member Ingrid E. Leisner has served as a board member in Norwegian Air Shuttle ASA since 2019. In November 2020, Norwegian Air Shuttle ASA initiated a restructuring process that was successfully emerged from in May 2021. Other than the above, none of the Board Members or the members of the Management has been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his or her capacity as a founder, director or manager of a company.

As set out in Sections 11.2.2 and 11.3.1 above, the chairman of the Board Tore Engebretsen and Board Members Edvin Austbø and Berit Svendsen, as well as the CEO Laila Danielsen, the CFO Lars Holmøy, the EVP of Engineering Espen Klovning and the HR Manager Britt Narmo, all have financial interests in the Company through direct and indirect shareholdings. In addition, with the exception of CEO Laila Danielsen, all members of the Management own options to purchase Shares in the Company. Furthermore, members of the Board of Directors and the Management may be board members or managers of other companies and hold shares in other companies, and in the event any such company enters into business relationships with the Company, the members of the Board of Directors and Management may have a conflict of interest. The Company will have procedures in place in order to handle any such potential conflict of interest. Except as specified, no members of the Board of Directors or the Management has any private interest which may conflict with the interests of the Company.

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

12 CORPORATE INFORMATION

12.1 Corporate Information

The Company's registered name is Elliptic Laboratories ASA, while its commercial name is Elliptic Labs. The Company is a public limited liability company (Nw.: *allmennaksjeselskap*) validly incorporated and existing under the laws of Norway and in accordance with the Norwegian Public Companies Act. The Company is registered with the Norwegian Register of Business Enterprises (Nw.: *Foretaksregisteret*) with business registration number 989 750 186.

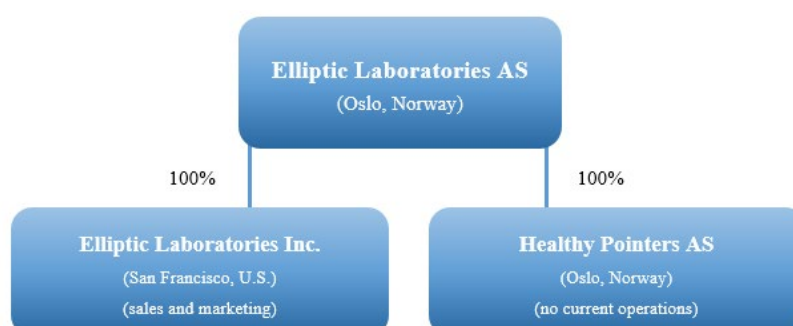
The Company was incorporated in Norway on 20 March 2006 as a private limited liability company. At the extraordinary general meeting held on 18 January 2022, the Company was resolved converted to a public limited liability company. This conversion entered into force on 20 January 2022, and at the same time the Company's name changed from Elliptic Laboratories AS to Elliptic Laboratories ASA.

The Company's registered business address is Akersgata 32, N-0180 Oslo, Norway, which is also its principal place of business. The telephone number to the Company's principal offices is +47 973 07 262 and the website is <https://www.ellipticlabs.com/>. The information included on the website does not form part of the Prospectus. The Company's LEI-code is 21380012EQMN8XOXBQ51.

The Shares are registered in book-entry form with Euronext Securities Oslo under ISIN NO 001 0722283. The Company's register of shareholders with Euronext Securities Oslo is administrated by the ESO Registrar, DNB Bank ASA.

12.2 Legal structure

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



12.3 Share capital and share capital history

12.3.1 Overview

As of the date of this Prospectus, the registered share capital of the Company is NOK 1 038 418.80, divided into 103 841 880 Shares, each with a par value of NOK 0.01. All the Shares have been created under the Norwegian Public Companies Act and are validly issued and fully paid.

The Company has granted an authorization to the Board to increase the Company's share capital, see Section 12.6 for further details.

The Company has one class of shares, and there are no differences in the voting rights among the Shares. The Shares are freely transferable, meaning that a transfer of Shares is not subject to the consent of the Board of Directors or existing shareholders' rights of first refusal.

12.3.2 Share capital history

The table below shows the development in the Company's share capital for the period from 1 January 2018 and up to the date of the Prospectus:

Date of registration	Type of change	Change in share capital (NOK)	New Shares issued	Share price	Total number of Shares	Share capital (NOK)	Par value (NOK)
18 May 2019	Share capital increase	5.00	50	100	8 564 058	856 405.80	0.10
22 November 2019	Share capital increase	18 700.00	187 000	230	8 751 058	875 105.80	0.10
20 May 2020	Share capital increase	20.00	200	200	8 751 258	875 125.80	0.10
14 October 2020	Share capital increase	83 333.33	833 333	150	9 584 591	958 459.10	0.10
19 April 2021	Share capital increase	937.00	9 370	38	9 593 961	959 396.10	0.10
11 September 2021	Share capital increase	4 740.00	47 400	38	9 641 361	964 136.10	0.10
15 September 2021	Share capital increase	67 264.60	672 646	233	10 314 007	1 031 400.70	0.10
28 September 2021	Share split	-	-	-	103 140 070	1 031 400.70	0.01
11 November 2021	Share capital increase	7 018.10	701 810	15 / 3.80 ¹⁾	103 841 880	1 038 418.80	0.01

1) The share capital increase registered on 11 November 2021 was due to exercise of share options under an employee option program, where 660 130 Shares had a subscription price of NOK 15, and 41 680 Shares had a subscription price of NOK 3.80.

12.3.3 Other financial instruments

The Company has implemented a long-term share option program that includes members of the Management, as well as non-executive employees in the Company and its subsidiaries. The share option program replaced a former share option program, established prior to the admission to trading of the Shares on Euronext Growth in October 2020. As of the date of this Prospectus, a total of 335 891 options remain outstanding under the former share option program, giving the option holders the right to acquire up to 3 358 910 Shares in aggregate.¹⁵

Pursuant to the Company's long-term share option program, members of the Management and other eligible employees are granted options on an annual basis, with a possibility for the Board to grant options on an ad-hoc basis. The program has a three years' vesting structure, with 1/3 of the options vesting each year. The strike price shall equal the price of the Company's Shares at the time the options are granted, and the options are settled in Shares at the time of vesting. The options expire two years after the last vesting. The share option program shall not exceed 2.5% of the Company's outstanding shares annually.

As of the date of this Prospectus, a total of 1 164 493 share options under the Company's long-term share option program (equivalent to approximately 1.1% of the total share capital) have been distributed amongst a total of 48 employees. Each option, when exercised, carries the right to acquire one Share in the Company, giving the employees the right to acquire up to 1 164 493 Shares in aggregate.

The total number of outstanding options in the Company under the new and the former share option programs entitles the option holders to acquire up to 4 523 399 Shares in aggregate.

Other than the share option programs presented above, neither the Company nor any of its subsidiaries has issued any options, warrants, convertible loans or other instruments that would entitle a holder of any such to subscribe

¹⁵ Each option gives the option holder the right to acquire 10 Shares following the share split carried out on 30 September 2021.

for any shares in the Company or its subsidiaries. Furthermore, neither the Company nor any of its subsidiaries has issued subordinated debt or transferable securities other than the Shares and the shares in the Company's subsidiaries will be held, directly or indirectly, by the Company.

12.4 The Listing

Since October 2020, the Shares have been traded on Euronext Growth Oslo. On 10 January 2022, the Company applied for its Shares to be admitted to trading on the Oslo Stock Exchange. It is expected that the listing committee of the Oslo Stock Exchange on or around 23 February 2022 will approve the Listing, subject to fulfilment of any criteria set by the Oslo Stock Exchange.

The Company expects commencement of trading in the Shares on the Oslo Stock Exchange on or around 4 March 2022 under the ticker code "ELABS". The Company has not applied for admission to trading of the Shares on any other stock exchange or regulated market.

12.5 Ownership Structure

12.5.1 Overview

Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. See Section 13.8 "*Disclosure obligations*" for a description of the disclosure obligations under the Norwegian Securities Trading Act.

The Company does not hold any treasury shares, nor do any of the Company's subsidiaries hold shares in the Company.

As at the date of this Prospectus, no shareholder other than (i) Passesta AS, partially controlled by the chairman of the Board Tore Engebretsen, (ii) Alden AS, indirectly controlled by Board Member Edvin Austbø, and (iii) MP Pensjon PK, holds more than 5% of the Shares. The Company is not aware of any other person or entity who directly or indirectly has an interest in the Company's share capital or voting rights that is notifiable under section 4-2 of the Norwegian Securities Trading Act.

The Company is not aware of any persons or entities who, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

The Articles of Association do not contain any provisions that would have the effect of delaying, deferring or preventing a change of control of the Company. The Shares have not been subject to any public takeover bids since the Company's incorporation in March 2006.

No particular measures have been put in place to ensure that control is not abused by large shareholders. Minority shareholders are protected against abuse by relevant regulations in inter alia the Norwegian Public Companies Act and the Norwegian Securities Trading Act. See Section 12.9 "*Certain aspects of Norwegian corporate law*" and Section 13.11 "*Compulsory acquisition*".

12.6 Authorization to increase the share capital and acquire own Shares

At the annual general meeting on 6 May 2021, the Board of Directors was granted an authorization to increase the share capital of the Company by up to NOK 190 000 for the purpose of 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 of NOK 40 000 of the authorization may be used as part of the Company's share option program. The authorization is valid until the annual general meeting in 2022, expiring at the latest on 30 June 2022. The preferential rights of the existing shareholders to subscribe for new Shares pursuant to Section 10-4 of the

Norwegian Public Companies Act may be deviated from pursuant to the rules set out in Section 10-5 of said Act. As of the date of this Prospectus, NOK 110 977.30 remains under the authorization.

On 6 May 2021, the Board was granted an authorization to acquire the Company's own Shares on behalf of the Company with an aggregate par value of up to NOK 80 000. As of the date of this Prospectus, NOK 80 000 remains under the authorization.

12.7 Shareholder rights

The Company has one class of Shares in issue and, in accordance with the Norwegian Public Companies Act, all Shares in that class provide equal rights in the Company, including the right to any dividends. Each of the Shares carries one vote. The rights attached to the Shares are further described in Section 12.8 "*The Articles of Association*" and Section 12.9 "*Certain aspects of Norwegian corporate law*".

To the knowledge of the Company, there are no shareholders' agreements related to the Shares.

12.8 The Articles of Association

The Articles of Association are enclosed as Appendix A to the Prospectus. Below is a summary of the provisions.

12.8.1 Objective of the Company

Pursuant to article 3 of the Articles of Association, the Company's objective 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.

12.8.2 Share capital and par value

The Company's share capital is NOK 1 038 418.80, divided into 103 841 880 Shares, each with a par value of NOK 0.01.

12.8.3 The Board of Directors

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

12.8.4 Restrictions on transfer of Shares

On 8 September 2021, the Company completed a private placement consisting of an offering of 672,646 new Shares, raising gross proceeds to the Company of approximately NOK 150 million, and a secondary sale by the Company's CEO, Laila Danielsen, and EVP of Engineering, Espen Klovning, of a total of 71,749 existing Shares for approximately NOK 16 million. In connection with secondary sale of Shares in the private placement, Laila Danielsen and Espen Klovning agreed to a customary lock-up with the investment banks assisting the Company in the private placement, expiring 8 September 2022. By entering the lock-up undertakings, the selling shareholders agreed not, without prior consent of the investment banks, to issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or other equity interest in the capital of the Company or any securities convertible into or exercisable for such Shares or other equity interests. The lock-up undertakings further restrict the selling shareholders from agreeing to enter into any swap or other agreement that transfers to others, in whole or in part, any of the economic consequences of ownership of the Shares or other equity interests, whether any such transaction described above is to be settled by delivery of the Shares or other securities or interests, in cash or otherwise, as well as not to publicly announce or indicate an intention to affect any transaction, without prior consent from the investment banks. Consent may be given at the discretion of the investment banks upon written request by the selling shareholders. As both Laila Danielsen and Espen Klovning are primary insiders of the Company, any transaction relating to the Shares, upon such consent (if given) and after expiry of the lock-up period, will be disclosed through a stock exchange notice by the Company.

Other than the abovementioned lock-up undertakings, there are no restrictions on transfers of the Shares.

12.8.5 General meetings

The annual general meeting shall address and decide upon the following matters:

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

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

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

12.9 Certain aspects of Norwegian corporate law

12.9.1 General meetings

Through the general meeting, shareholders exercise supreme authority in a Norwegian company. In accordance with Norwegian law, the annual general meeting of shareholders is required to be held each year on or prior to 30 June. Norwegian law requires that a written notice of annual general meetings setting forth the date and time of, the venue for and the agenda of the meeting, is sent to all shareholders with a known address no later than 21 days before the date of the annual general meeting of a Norwegian public limited liability company listed on a stock exchange or a regulated market shall be held, unless the articles of association stipulate a longer deadline. The latter is currently not the case for the Company.

A shareholder may vote at the general meeting either in person or by proxy appointed at its own discretion. Pursuant to the Norwegian Securities Trading Act, a proxy voting form shall be appended to the notice of the general meeting for a Norwegian public limited liability company listed on a stock exchange or a regulated market unless such form has been made available to the shareholders on the company's website and the notice calling for the meeting includes all information the shareholders need to access the proxy voting forms, including the relevant Internet address.

Under Norwegian law, a shareholder may only exercise rights that pertain to shareholders, including participation in general meetings of shareholders, when it has been registered as a shareholder in the company's register of shareholders maintained with Euronext Securities Oslo. Unless the articles of association explicitly states that the right to attend and vote at a general meeting may only be exercised by a shareholder if it has been entered into the company's register of shareholders five working days prior to the general meeting, all shareholders who are registered as such on the date of the general meeting have the right to attend and exercise its voting rights at that meeting. This is the case for the Company i.e. the record date for shareholders to participate at a General Meeting is five working days prior to the date of the relevant general meeting.

Apart from the annual general meeting, extraordinary general meetings of shareholders may be held if the board of directors considers it necessary. An extraordinary general meeting of shareholders must also be convened if, in order to discuss a specified matter, the auditor or shareholders representing at least 5% of the share capital demands this in writing. The requirements for notice of and admission to the annual general meeting also apply to

extraordinary general meetings. However, the annual general meeting of a Norwegian public limited liability company may with a majority of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting resolve that extraordinary general meetings may be convened with a 14 days' notice period until the next annual general meeting provided that the company has procedures in place allowing shareholders to vote electronically. This has currently not been resolved by the Company's General Meeting.

12.9.2 Voting rights – amendments to the articles of association

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

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

Only a shareholder registered as such with Euronext Securities Oslo is entitled to vote for shares of a Norwegian public limited liability company listed on a stock exchange or regulated market. Beneficial owners of the shares who are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor is any person who is designated in the ESO register as the holder of such shares as a nominee. A nominee may not meet or vote for shares registered on a nominee account ("**NOM-account**"). A shareholder holding shares through a NOM-account must, in order to be eligible to register, meet and vote for such Shares at the general meeting, transfer the shares from such NOM-account to an account in the shareholder's name. Such registration must appear from a transcript from Euronext Securities Oslo at the latest five working days prior to the date of the relevant general meeting.

There are no quorum requirements that apply to the general meeting of a Norwegian public limited liability company.

12.9.3 Additional issuances and preferential rights

If the Company issues any new Shares, including bonus share issues, the Company's articles of association must be amended, and must thus receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at the general meeting in question. In addition, under Norwegian law, the Company's shareholders have a preferential right to subscribe for new Shares issued by the Company. The preferential rights may be deviated from by a resolution in the general meeting passed with the same vote required to amend the articles of association. A deviation of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding Shares.

The general meeting may, by the same vote as is required for amending the articles of association, authorize the board of directors to issue new Shares, and to deviate from the preferential rights of shareholders in connection with such issuances. Such authorization may be effective for a maximum of two years, and the par value of the

Shares to be issued may not exceed 50% of the registered par share capital when the authorization is registered with the Norwegian Register of Business Enterprises.

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

Issuance of new Shares to shareholders who are citizens or residents of the United States upon the exercise of preferential rights may require the Company to file a registration statement in the United States under United States securities laws. Should the Company in such a situation decide not to file a registration statement, the Company's U.S. shareholders may not be able to exercise their preferential rights. If a U.S. shareholder is ineligible to participate in a rights offering, such shareholder would not receive the rights at all and the rights would be sold on the shareholder's behalf by the Company. Shareholders in other jurisdictions outside Norway may be similarly affected if the rights and the new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. The Company has not filed a registration statement under the U.S. Securities Act in connection with the Listing or sought approvals under the laws of any other jurisdiction outside Norway in respect of any preemptive rights or the Shares, does not intend to do so and doing so in the future may be impractical and costly. To the extent that the Company's shareholders are not able to exercise their rights to subscribe for new shares, the value of their subscription rights will be lost and such shareholders' proportional ownership interests in the Company will be reduced.

12.9.4 Minority rights

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

Minority shareholders holding 5% or more of the Company's share capital have a right to demand in writing that the Board of Directors convenes an extraordinary general meeting to discuss or resolve specific matters. In addition, any of the Company's shareholders may in writing demand that the Company place an item on the agenda for any general meeting as long as the Company is notified within seven days before the deadline for convening the general meeting. If the notice has been issued when such a written demand is presented, a renewed notice must be issued if the deadline for issuing notice of the relevant general meeting has not expired.

12.9.5 Rights of redemption and repurchase of shares

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

The Company may purchase its own Shares provided that the Board of Directors has been granted an authorization to do so by a general meeting with the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at the meeting. The aggregate par value of treasury shares so acquired, and held by the Company must not exceed 10% of the Company's share capital, and treasury shares may only be acquired if the Company's distributable equity, according to the latest adopted balance sheet, exceeds

the consideration to be paid for the shares. The authorization by the general meeting of the Company's shareholders cannot be granted for a period exceeding two years. The Company may not subscribe for its own Shares.

12.9.6 Shareholder vote on certain reorganizations

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

12.9.7 Liability of board members

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

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

12.9.8 Civil proceedings against the Company in jurisdictions other than Norway

Furthermore, investors shall note that they may be unable to recover losses in civil proceedings in jurisdictions other than Norway. The Company is a public limited liability company organized under the laws of Norway. The Board Members and the members of the Management reside in Norway and the U.S. As a result, it may not be possible for investors to effect service of process in other jurisdictions upon such persons or the Company, to enforce against such persons or the Company judgments obtained in courts outside of Norway and/or the U.S., or to enforce judgments on such persons or the Company in other jurisdictions.

12.9.9 Indemnification of board members

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

12.9.10 Distribution of assets on liquidation

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

13 SECURITIES TRADING IN NORWAY

Set out below is a summary of certain aspects of securities trading in Norway and the possible implications of owning tradable Shares on the Oslo Stock Exchange. The summary is based on the rules and regulations in force in Norway as of the date of this Prospectus, which may be subject to changes occurring after such date. This summary does not purport to be a comprehensive description of securities trading in Norway. Investors who wish to clarify aspects of securities trading in Norway should consult with and rely upon their own advisors.

13.1 Introduction

The Oslo Stock Exchange was established in 1819 and offers the only regulated markets for securities trading in Norway. Oslo Børs ASA is 100% owned by Euronext Nordics Holding AS, a holding company established by Euronext N.V following its acquisition of Oslo Børs VPS Holding ASA in June 2019. Euronext owns seven regulated markets across Europe, including Amsterdam, Brussels, Dublin, Lisbon, London, Oslo and Paris.

13.2 Market value of the Shares

The market value of shares listed on the Oslo Stock Exchange, including the Shares, may fluctuate significantly, which could cause investors to lose a significant part of their investment. The market value could fluctuate significantly in response to a number of factors beyond the respective issuer's control, including quarterly variations in operating results, adverse business developments, changes in financial estimates and investment recommendations or ratings by securities analysts, announcements by the respective issuer or its competitors of new product and service offerings, significant contracts, acquisitions or strategic relationships, publicity about the issuer, its products and services or its competitors, lawsuits against the issuer, unforeseen liabilities, changes in management, changes to the regulatory environment in which the issuer operates or general market conditions.

Furthermore, issuances of shares or other securities may dilute the holdings of shareholders and could materially affect the price of the Shares. Any issuer, including the Company, may in the future decide to offer additional shares or other securities to finance new capital-intensive projects, in connection with unanticipated liabilities or expenses or for any other purposes, including for refinancing purposes. There are no assurances that any of the issuers on the Oslo Stock Exchange will not decide to conduct further offerings of securities in the future. Depending on the structure of any future offering, certain existing shareholders may not have the ability to purchase additional equity securities. If a listed company raises additional funds by an issuance of additional equity securities, the holdings and voting interests of existing shareholders could be diluted, and thereby affect share price.

13.3 Trading and settlement

As of the date of this Prospectus, trading of equities on Oslo Stock Exchange is carried out in the electronic Euronext in-house developed trading system, Optiq®.

Official trading on the Oslo Stock Exchange takes place between 09:00 (CET/CEST) and 16:20 (CET/CEST) each trading day, with pre-trade period between 07:15 (CET/CEST) and 09:00 (CET/CEST), a closing auction from 16:20 (CET/CEST) to 16:25 (CET/CEST) and a trading at last period from 16:25 (CET/CEST) to 16:30 (CET/CEST). Reporting of Off-Book On Exchange trades can be done from 07:15 (CET/CEST) to 18:00 (CET/CEST).

The settlement period for trading on the Oslo Stock Exchange is two trading days (T+2). This means that securities will be settled on the investor's account with Euronext Securities Oslo two trading days after the transaction, and that the seller will receive payment after two trading days.

The Oslo Stock Exchange offers an interoperability model for clearing and counterparty services for equity trading through LCH Limited, EuroCCP and Six X-Clear.

Investment services in Norway may only be provided by Norwegian investment firms holding a license under the Norwegian Securities Trading Act, branches of investment firms from an EEA member state or investment firms from outside the EEA that have been licensed to operate in Norway. Investment firms in an EEA member state may also provide cross-border investment services into Norway.

It is possible for investment firms to undertake market-making activities in shares listed in Norway if they have a license to this effect under the Norwegian Securities Trading Act, or in the case of investment firms in an EEA member state, a license to carry out market-making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Norwegian Securities Trading Act relating to brokers' trading for their own account. However, such market-making activities do not as such require notification to the Norwegian FSA or the Oslo Stock Exchange except for the general obligation of investment firms that are members of the Oslo Stock Exchange to report all trades in stock exchange listed securities.

13.4 Information, control and surveillance

Under Norwegian law, the Oslo Stock Exchange is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of the Oslo Stock Exchange monitors all market activity on a continuous basis. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The Norwegian FSA controls the issuance of securities in both the equity and bond markets in Norway and evaluates whether the issuance documentation contains the required information and whether it would otherwise be unlawful to carry out the issuance.

Under Norwegian law, a company that is listed on a Norwegian regulated market, or has applied for listing on such market, must promptly release any inside information directly concerning the company (Inside information means precise information about financial instruments, the issuer thereof or other matters which are likely to have a significant effect on the price of the relevant financial instruments or related financial instruments, and which are not publicly available or commonly known in the market). A company may, however, delay the release of such information in order not to prejudice its legitimate interests, provided that it is able to ensure the confidentiality of the information and that the delayed release would not be likely to mislead the public. The Oslo Stock Exchange may levy fines on companies violating these requirements.

13.5 Euronext Securities Oslo and transfer of Shares

The Company's principal share register is operated through Euronext Securities Oslo. Euronext Securities Oslo is the Norwegian paperless centralized securities register. It is a computerized book-keeping system in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. Euronext Securities Oslo and Oslo Børs ASA are both wholly-owned by Euronext Nordics Holding AS.

All transactions relating to securities registered with Euronext Securities Oslo are made through computerized book entries. No physical share certificates are, or may be, issued. Euronext Securities Oslo confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To give effect to such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, Norges Bank (being, the central bank of Norway), authorized securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

As a matter of Norwegian law, the entry of a transaction in Euronext Securities Oslo is prima facie evidence in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security. A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition is not prevented by law, the relevant company's articles of association or otherwise.

Euronext Securities Oslo is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside ESO's control which ESO could not reasonably be expected to avoid or overcome the consequences of. Damages payable by ESO may, however, be reduced in the event of contributory negligence by the aggrieved party.

Euronext Securities Oslo must provide information to the Norwegian FSA on an ongoing basis, as well as any information that the Norwegian FSA requests. Further, Norwegian tax authorities may require certain information from ESO regarding any individual's holdings of securities, including information about dividends and interest payments.

13.6 Shareholder register

Under Norwegian law, shares are registered with Euronext Securities Oslo in the name of the beneficial owner of the shares. Beneficial owners of the Shares that hold their shares through a nominee (such as banks, brokers, dealers or other third parties) may not be able to vote for such Shares unless their ownership is re-registered in their names with ESO prior to the any general meeting. As a general rule, there are no arrangements for nominee registration and Norwegian shareholders are not allowed to register their shares in ESO through a nominee. However, foreign shareholders may register their shares in ESO in the name of a nominee (bank or other nominee) approved by the Norwegian FSA. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In case of registration by nominees, the registration in ESO must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions, but cannot vote in general meetings on behalf of the beneficial owners. There is no assurance that beneficial owners of the Shares will receive the notice of any general meeting in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote for their Shares in the manner desired by such beneficial owners. See Section 12.9.2 "*Voting rights – amendments to the articles of association*" for more information on nominee accounts.

13.7 Foreign investment in shares listed in Norway

Foreign investors may trade in shares listed on the Oslo Stock Exchange through any broker that is a member of the Oslo Stock Exchange, whether Norwegian or foreign.

Foreign investors should note that the rights of holders of shares listed on the Oslo Stock Exchange and issued by Norwegian incorporated companies are governed by Norwegian law and by the respective company's articles of association. These rights may differ from the rights of shareholders in other jurisdictions. In particular, Norwegian law limits the circumstances under which shareholders of Norwegian companies may bring derivative actions. For instance, under Norwegian law, any action brought by a company in respect of wrongful acts committed against such company will be prioritized over actions brought by shareholders claiming compensation in respect of such acts. In addition, it may be difficult to prevail in a claim against the company under, or to enforce liabilities predicated upon, securities laws in other jurisdictions. See Section 12.9.2 "*Voting rights – amendments to the articles of association*" for more information on certain aspects of Norwegian law.

13.8 Disclosure obligations

If a person's, entity's or consolidated group's proportion of the total issued shares and/or rights to shares in a company listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Company) reaches, exceeds or falls below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the voting rights of that company, the person, entity or group in question has an obligation under the Norwegian Securities Trading Act to notify the Oslo Stock Exchange and the issuer immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the company's share capital.

13.9 Insider trading

According to Norwegian law, subscription for, purchase, sale, exchange or other acquisitions or disposals of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, as defined in Article 7 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, and as implemented in Norway in accordance with Section 3-1 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value or price either depends on or has an effect on the price or value of such financial instruments or incitement to such dispositions.

13.10 Mandatory offer requirement

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third (or more than 50%) of the voting rights of a company listed on a Norwegian regulated market (with the exception of certain foreign companies) to, within four weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of the voting rights in the company and the Oslo Stock Exchange decides that this is regarded as an effective acquisition of the shares in question.

The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify the Oslo Stock Exchange and the company in question accordingly. The notification is required to state whether an offer will be made to acquire the remaining shares in the company or whether a sale will take place. As a rule, a notification to the effect that an offer will be made cannot be retracted. The offer and the offer document required are subject to approval by the Oslo Stock Exchange before the offer is submitted to the shareholders or made public.

The offer price per share must be at least as high as the highest price paid or agreed by the offeror for the shares in the six-month period prior to the date the threshold was exceeded. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant threshold within four weeks, the Oslo Stock Exchange may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation

remains in force, exercise rights in the company, such as voting in a general meeting, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise his/her/its rights to dividends and pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duty to make a mandatory offer, the Oslo Stock Exchange may impose a cumulative daily fine that runs until the circumstance has been rectified.

Any person, entity or consolidated group that owns shares representing more than one-third of the votes in a company listed on a Norwegian regulated market (with the exception of certain foreign companies) is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or consolidated group through acquisition becomes the owner of shares representing 40%, or more of the votes in the company. The same applies correspondingly if the person, entity or consolidated group through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

Any person, entity or consolidated group that has passed any of the above mentioned thresholds in such a way as not to trigger the mandatory bid obligation, and has therefore not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

13.11 Compulsory acquisition

Pursuant to the Norwegian Public Companies Act and the Norwegian Securities Trading Act, a shareholder who, directly or through subsidiaries, acquires shares representing 90% or more of the total number of issued shares in a Norwegian public limited liability company, as well as 90% or more of the total voting rights, has a right, and each remaining minority shareholder of the company has a right to require such majority shareholder, to effect a compulsory acquisition for cash of the shares not already owned by such majority shareholder. Through such compulsory acquisition the majority shareholder becomes the owner of the remaining shares with immediate effect.

If a shareholder acquires shares representing more than 90% of the total number of issued shares, as well as more than 90% of the total voting rights, through a voluntary offer in accordance with the Norwegian Securities Trading Act, a compulsory acquisition can, subject to the following conditions, be carried out without such shareholder being obliged to make a mandatory offer: (i) the compulsory acquisition is commenced no later than four weeks after the acquisition of shares through the voluntary offer, (ii) the price offered per share is equal to or higher than what the offer price would have been in a mandatory offer, and (iii) the settlement is guaranteed by a financial institution authorized to provide such guarantees in Norway.

A majority shareholder who effects a compulsory acquisition is required to offer the minority shareholders a specific price per share, the determination of which is at the discretion of the majority shareholder. However, where the offeror, after making a mandatory or voluntary offer, has acquired more than 90% of the voting shares of a company and a corresponding proportion of the votes that can be cast at the general meeting, and the offeror pursuant to Section 4-25 of the Norwegian Public Companies Act completes a compulsory acquisition of the remaining shares within three months after the expiry of the offer period, it follows from the Norwegian Securities Trading Act that the redemption price shall be determined on the basis of the offer price for the mandatory/voluntary offer unless specific reasons indicate another price.

Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline of not less than two months, request that the price be set by a Norwegian court. The cost of such court procedure will, as a general rule, be the responsibility of the majority shareholder, and the relevant court will have full discretion in determining the consideration to be paid to the minority shareholder as a result of the compulsory acquisition.

Absent a request for a Norwegian court to set the price or any other objection to the price being offered, the minority shareholders would be deemed to have accepted the offered price after the expiry of the specified deadline.

13.12 Foreign exchange controls

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to a shareholder outside Norway, and there are currently no restrictions that would affect the right of shareholders of a company that has its shares registered with Euronext Securities Oslo who are not residents in Norway to dispose of their shares and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the National Insurance Administration and the Norwegian FSA have electronic access to the data in this register.

14 NORWEGIAN TAXATION

Set out below is a summary of certain Norwegian tax matters related to an investment in the Company. The summary is based on the laws in force in Norway as of the date of this Prospectus, which may be subject to any changes. Such changes could possibly be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the shares in the Company. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisors. Shareholders resident in jurisdictions other than Norway and shareholders who cease to be resident in Norway for tax purposes should specifically consult with and rely upon their own tax advisors with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in Norway.

Please note that for the purpose of the summary below, a reference to a Norwegian or foreign shareholder refers to the tax residency rather than the nationality of the shareholder.

The tax legislation in the Company's jurisdiction of incorporation and the tax legislation in the jurisdictions in which the shareholders are resident for tax purposes may have an impact on the income received from shares in the Company.

14.1 Taxation of Norwegian shareholders

14.1.1 Norwegian Individual Shareholders

Individuals resident in Norway for tax purposes are effectively taxed at 35.2% on dividends and gains from disposing of shares, in each case to the extent the dividend/gain exceeds a basic tax free allowance. The effective tax rate is based on a calculation where the dividend/gain is grossed up with a factor of 1.6 and taxed at the ordinary tax rate of 22%. Any realized loss is increased by the same factor of 1.6 (to give loss a corresponding tax reducing effect).

The tax free allowance is computed for each individual share and corresponds to the cost price of that share multiplied by an annual risk-free interest rate based on the effective rate of interest on treasury bills (Nw.: "statskasseveksler") with three months maturity plus 0.5 percentage points, after tax. Any part of the annual allowance exceeding the dividend distributed on the share, known as unused allowance, may be set off against future dividends on (or gains upon disposal of) the same share. Unused allowance is added to the basis for computing future allowance for the same share. The unused allowance is calculated for each calendar year, and is allocated solely to the individual holding shares at the expiration of the relevant calendar year.

Taxable gain or loss from disposing shares (before gross up) equals the sales price of the relevant share minus transaction costs and minus the tax basis on that share. The tax basis is normally equal to the acquisition cost of the share. Unused allowance on a share may be deducted from a taxable gain on the same share, but may not lead to or increase a deductible loss. Unused allowance on one share may not be set off against gain on other shares. Shares acquired first will be deemed first sold when calculating taxable gain or loss.

Norwegian individual shareholders may hold listed shares in companies resident in the EEA on a share savings account (Nw.: "aksjesparekonto"). Dividend and gain on shares owned through the share savings account is not immediately taxable, and losses are not deductible. Instead, later withdrawals from the account (other than tax-free allowances) that exceeds the deposits made to the account are taxable at the effective rate of 35.2%. The tax-free allowance is calculated based on the lowest paid in deposit in the share savings account during the income year, plus any unused allowance from previous years. The tax-free allowance can only be deducted in order to reduce taxable income, and cannot increase or produce a deductible loss. Any excess allowance may be carried forward and set off against future withdrawals from the account.

Special rules apply for Norwegian individual shareholders whom cease to be tax-residents in Norway.

14.1.2 Norwegian Corporate Shareholders

Limited liability companies (and certain similar entities) owning shares are effectively taxed at 0.66% on dividends from shares in Norwegian companies. 3% of dividends are taxed at the ordinary tax rate of 22%, and the rate is increased to 25%, and thus 0.75% effectively, for Norwegian corporate shareholders that are considered financial institutions. Norwegian corporate shareholders are tax exempt on gain from disposing of such shares. Correspondingly, losses are not deductible. Costs incurred in connection with the purchase and realization of such shares are not tax deductible.

Special rules apply for Norwegian corporate shareholders whom cease to be tax resident in Norway.

14.2 Foreign Shareholders

All shareholders not resident in Norway for tax purposes are generally (i) exempt from Norwegian tax on gain from disposing of shares, but (ii) subject to Norwegian withholding tax at a rate of 25% on dividends from Norwegian companies. If, however, the foreign shareholder holds the shares as part of a business carried out by that shareholder in Norway, both gain and dividends would be taxable to the same extent as for a corresponding Norwegian Individual Shareholder or Norwegian Corporate Shareholder (see above).

The withholding tax on dividends is subject to certain important exceptions and modifications:

- Corporate shareholders resident in the EEA are exempt from withholding tax to the extent they are limited companies (and certain similar companies), which can demonstrate that they are beneficial owners, and that they are genuinely established and carry on genuine economic business activities in the EEA.
- Both corporate and individual shareholders are often entitled to a reduced withholding rate in tax treaties between Norway and their countries of tax residency, provided they can document entitlement (see below).
- Individual shareholders residing for tax purposes in the EEA may apply to the Norwegian tax authorities for a refund if the tax withheld exceeds the tax that would have been levied on Norwegian individual shareholders. However, the deduction for the tax-free allowance does not apply in the event that the withholding tax rate, pursuant to an applicable tax treaty, leads to a lower taxation of the dividends than the withholding tax rate of 25% less the tax-free allowance.

Individual shareholders residing for tax purposes in the EEA may further hold listed shares in EEA resident companies on a share savings account. Dividends received on, and gains derived upon the realization of, shares held through a share saving account will not be taxed with immediate effect. Instead, withdrawals from the share saving account exceeding the paid in deposit on the account, is subject to the withholding tax rate of 25% (unless reduced pursuant to an applicable tax treaty). Capital gains realized upon realization of shares held through the share saving account will be regarded as paid in deposits, which may be withdrawn without taxation. Losses will correspondingly be deducted from the paid in deposit, reducing the amount which can be withdrawn without withholding tax.

14.3 Procedure for claiming a reduced withholding tax rate on dividends

The distributing company is responsible for withholding the taxes on distributions to foreign shareholders (except if shares are held on a share savings account, in which case the responsibility lies with the account operator).

A foreign shareholder that is entitled to an exemption from or reduction of withholding tax on dividends, may request that the exemption or reduction is applied at source. Such a request must be made to the foreign shareholder's nominee or account operator with ESO, supported by a certificate of residence issued by the tax authorities in the shareholder's country of residence within the last three years, confirming that the shareholder is resident in that country. Foreign corporate shareholders must further present either (i) an previously approved withholding tax

refund application or (ii) an approval from the Norwegian tax authorities confirming its entitlement to a reduced rate. If the foreign corporate shareholder is resident in the EEA and claiming full withholding exemption, it must further declare that the circumstances entitling it to the exemption have not changed since the documentation was issued.

The statutory 25% withholding tax rate will be levied on dividends paid to foreign shareholders unless they have successfully requested to have a reduced rate or exemption applied at source. The shareholder will in such case have to apply to the Central Office - Foreign Tax Affairs for a refund of the excess amount of tax withheld.

Foreign shareholders should consult their own advisors regarding the availability of treaty benefits in respect of dividend payments, including (if relevant) the possibility of effectively claiming a refund of withholding tax.

14.4 Wealth tax

Norwegian corporate shareholders are exempt from wealth tax, while Norwegian individual shareholders are subject to net wealth tax on the part of net wealth exceeding NOK 1.7 million (NOK 3.4 million jointly for spouses). The ordinary rate is 0.95% up to NOK 20 million and 1.1% on exceeding net wealth. Shares listed on the Oslo Stock Exchange are included in net wealth at a value equal to 75% of their listed share price on 1 January in the tax assessment year (i.e. in the year after the income year). The value of debt allocated to the listed shares for Norwegian wealth tax purposes is reduced correspondingly (i.e. to 75%).

Foreign shareholders are not subject to Norwegian net wealth tax on shares, unless the shareholder is an individual holding the shares as part of a business carried out by that individual in Norway.

14.5 VAT and transfer taxes

No transfer, VAT, stamp or similar duties are imposed in Norway on transfer or issuance of shares.

14.6 Inheritance and gift taxes

No inheritance or gift taxes are imposed in Norway on transfer or issuance of shares.

15 ADDITIONAL INFORMATION

15.1 Independent auditor

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

PwC has been the Company's independent auditor since the financial year 2018 (appointed 8 January 2018).

15.2 Advisors

Wikborg Rein Advokatfirma AS, with business registration number 916 782 195 and registered address at Dronning Mauds gate 11, N-0250 Oslo, Norway, has acted as Norwegian legal counsel to the Company in connection with the Listing.

Advokatfirmaet CLP DA, with business registration number 991 341 129 and registered address at Sommerrogata 13, N-0255 Oslo, Norway, and Deloitte AS with business registration number 980 211 282 and registered address Dronning Eufemias gate 14, N-0191 Oslo, Norway, have acted as the Company's legal and financial due diligence advisors in connection with the Listing.

15.3 Documents on display

Copies of the following documents will be available for inspection at the Company's offices during normal business hours from Monday to Friday each week (except public holidays) for a period of twelve months from the date of this Prospectus:

- The Company's certificate of incorporation and Articles of Association; and
- this Prospectus.

The documents are also available at the Company's website www.ellipticlabs.com. The content of the website is not incorporated by reference into, or otherwise form part of, this Prospectus.

15.4 Incorporation by reference

The information incorporated by reference in this Prospectus should be read in connection with the cross-reference table set out below. Except from this Section 15.4, no other information is incorporated by reference in this Prospectus.

Reference in Prospectus:	Refers to:	Details:
Summary, Sections 4.3.1, 8, 9, 10	<p>The Interim Financial Statements, available at https://www.ellipticlabs.com/wp-content/uploads/2021.11.10-Q3-Report.pdf</p> <p>Report on review of the Interim Financial Statements, available at https://www.ellipticlabs.com/wp-content/uploads/2021-11-10EllipticLaboratoriesASReportonreviewofinterimfinancialinformation.pdf</p>	<p>The Group: Statement of comprehensive income: Page 5 Statement of financial position: Page 6 Statement of changes in equity: Page 7 Statement of cash flow: Page 8 Notes: Page 9</p>
Summary, Sections 4.3.1, 8, 9, 10	<p>The Annual Financial Statements for 2020, available at https://www.ellipticlabs.com/wp-content/uploads/Annual-report-2020-Elliptic-Laboratories-AS-incl-Auditors-report.pdf</p>	<p>The Company: Income statement: Page 29 Statement of financial position: Page 30 Notes: Page 33</p> <p>The Group: Statement of comprehensive income: Page 6 Statement of financial position: Page 7 Statement of changes in equity: Page 8 Statement of cash flow: Page 9 Notes: Page 10</p> <p>Independent auditor's report: Page 45</p>
Summary, Sections 4.3.1, 8, 9, 10	<p>The Annual Financial Statements for 2019, available at https://www.ellipticlabs.com/wp-content/uploads/Annual-report-2019-Elliptic-Laboratories-AS-FINAL-inc-auditor-report.pdf</p>	<p>The Company: Income statement: Page 32 Statement of financial position: Page 33 Notes: Page 35</p> <p>The Group: Statement of comprehensive income: Page 6 Statement of financial position: Page 7 Statement of changes in equity: Page 8 Statement of cash flow: Page 9 Notes: Page 10</p> <p>Independent auditor's report: Page 44</p>
Summary, Sections 4.3.1, 8, 9, 10	<p>The Annual Financial Statements for 2018, available at https://www.ellipticlabs.com/wp-content/uploads/Annual-report-2018-Elliptic-Laboratories-AS-consolidated-and-parent-company.pdf</p>	<p>The Company: Income statement: Page 29 Statement of financial position: Page 30 Notes: Page 31</p> <p>The Group: Statement of comprehensive income: Page 7 Statement of financial position: Page 8 Statement of changes in equity: Page 9 Statement of cash flow: Page 10 Notes: Page 11</p> <p>Independent auditor's report: Page 40</p>

16 DEFINITIONS AND GLOSSARY OF TERMS

AI	Artificial intelligence
AI Virtual Connection Sensor	Has the meaning ascribed to such item in Section 7.2.1.4
AI Virtual Gesture Sensor	Has the meaning ascribed to such item in Section 7.2.1.2
AI Virtual Presence Sensor	Has the meaning ascribed to such item in Section 7.2.1.3
AI Virtual Security Sensor	Has the meaning ascribed to such item in Section 7.2.1.5
AI Virtual Smart Sensor Platform	Has the meaning ascribed to such item in Section 6.1
Annual Financial Statements	The consolidated financial statements of the Company as of and for the years ended 31 December 2020, 2019 and 2018
APMs	Alternative Performance Measures
APPI	The Japanese Act No. 57 of 2003 on the Protection of Personal Information
Articles of Association	Articles of Association of the Company as of 18 January 2022, attached hereto as Appendix A
Board of Directors or Board Member(s)	The members of the board of directors of the Company, or any one of them
CEO	Chief Executive Officer
CET	Central European Time
CEST	Central European Summer Time
CFO	Chief Financial Officer
Company or Elliptic Labs	Elliptic Laboratories ASA, a Norwegian public limited liability company with business registration number 989 750 186 and registered address at Akersgata 32, N-0180 Oslo, Norway
Company Information	The Company's own assessment and knowledge of the potential markets in which it may operate
Corporate Governance Code	The Norwegian Code of Practice for Corporate Governance last updated 14 October 2021
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EEA	The European Economic Area
ESMA	The European Securities and Markets Authority
ESO or Euronext Securities Oslo	The central securities depository at Euronext Securities Oslo (Nw.: <i>Verdipapirsentralen</i>)
ESO Registrar	DNB Bank ASA
EU	The European union
EU Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as implemented in Norway
Financial Information	The Financial Statements and the Interim Financial Statements, collectively
GDPR	General Data Protection Regulation (Regulation (EU) 2016/679)
GLEIF	Global Legal Identifier Foundation
Group	The Company and its consolidated subsidiaries
IAS 34	International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU
IFRIC	Interpretations provided by IFRS Interpretations Committee
IFRS	International Financial Reporting Standards and in accordance with interpretations determined by the International Accounting Standards Board (IASB) as adopted by the EU
INNER BEAUTY or INNER BEAUTY AI Virtual Proximity Sensor	Has the meaning ascribed to such item in Section 7.2.1.1
Interim Financial Statements	The Company's unaudited consolidated interim financial statements as of and for the nine-month period ended 30 September 2021, with comparable figures for the nine-month period ended 30 September 2020
IoT	Internet of things
IP	Intellectual property

IR	Infrared
ISRE	International Standard on Review Engagements 2410
LEI	Legal Entity Identifier
Listing	The listing of the Shares on the Oslo Stock Exchange
Management	The members of the Company's executive management
MiFID II	EU Directive 2014/65/EU on markets in financial instruments, as amended
MiFID II Product Governance Requirements	MiFID II, Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures
MLaaS	Machine Learning as a Service
NCAP	The European New Car Assessment Programme
NOK	Norwegian kroner, the lawful currency of Norway
NOM-account	Nominee account, in which beneficial owners of shares may register ownership
Norwegian FSA	The Financial Supervisory Authority of Norway (Nw.: <i>Finanstilsynet</i>)
Norwegian Public Companies Act	The Norwegian Public limited Liability Companies Act of 13 June 1997 no. 45, as amended (Nw.: <i>allmennaksjeloven</i>)
Norwegian Securities Trading Act	The Norwegian Securities Trading Act of 29 June 2007 no. 75, as amended (Nw.: <i>verdipapirhandelloven</i>)
Norwegian Securities Trading Regulation	The Norwegian Securities Trading Regulations of 29 June 2007 no. 876, as amended (Nw.: <i>verdipapirforskriften</i>)
OEM	Original Equipment Manufacturer
Order	The UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended
Oslo Stock Exchange	Oslo Børs, a Norwegian regulated market being part of Euronext® and operated by Oslo Børs ASA
PIPL	The Chinese Personal Information Protection Law
PoC	proof-of-concept
Product Liability Directive	EU Directive 85/374/EEC concerning liability for defective products
Prospectus	This prospectus dated 3 March 2022
PwC	PricewaterhouseCoopers AS, the Company's independent auditor, with business registration number 987 009 713 and registered address Dronning Eufemias gate 71, N-0194 Oslo, Norway
R&D	Research and development
Regulated Market	A market for financial instruments within the scope of Article 4(1)(21) of the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments
Relevant Member State	Any member state of the European Economic Area, other than Norway
Relevant Persons	Persons in the United Kingdom that are (i) investment professionals falling within Article 19(5) of the Order or (ii) high net worth entities, and other persons to whom the Prospectus may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order, and/or (iii) other persons to whom such investment or investment activity may lawfully be communicated or caused to be communicated.
Share(s)	The shares of the Company, consisting as of the date of this Prospectus of 103 841 880 ordinary shares each with a par value of NOK 0.01
Target Market Assessment	The product approval process which has determined that each Share are (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II, and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II.
ToF	Time-of-flight
UK	The United Kingdom
USD	United States Dollars, the lawful currency of the United States of America.
U.S. or the United States	The United States of America
U.S. Exchange Act	The United States Exchange Act of 1934, as amended

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Appendix A – Articles of Association of Elliptic Laboratories ASA

Unofficial office translation.

In case of discrepancies, the Norwegian version shall prevail.

VEDTEKTER**ELLIPTIC LABORATORIES ASA**

(org.nr. 989 750 186)

Vedtatt 18. januar 2022

§ 1 | Foretaksnavn

Selskapets navn er Elliptic Laboratories ASA.
Selskapet er et allmennaksjeselskap.

§ 2 | Forretningskontor

Selskapets forretningskontor er i Oslo kommune.

§ 3 | Formål

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

§ 4 | Aksjekapital

Selskapets aksjekapital er NOK 1 038 418,80 fordelt på 103 841 880 aksjer, hver pålydende NOK 0,01.

Selskapets aksjer skal være registrert i
Verdipapirsentralen ASA (VPS).

§ 5 | Styre

Selskapets styre skal ha fra fire til syv medlemmer.

§ 6 | Signatur

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

§ 7 | Generalforsamling

På den ordinære generalforsamlingen skal følgende saker behandles og avgjøres:

1. Godkjenning av årsregnskapet og årsberetningen, herunder utdeling av utbytte.
2. Andre saker som etter lov eller vedtektene hører under generalforsamlingen.

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

ARTICLES OF ASSOCIATION**ELLIPTIC LABORATORIES ASA**

(reg. no. 989 750 186)

As of 18 January 2022

§ 1 | Company name

The company's name is Elliptic Laboratories ASA.
The company is a public limited liability company.

§ 2 | Registered office

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

§ 3 | Objective

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

§ 4 | Share capital

The company's share capital is NOK 1 038 418.80, divided into 103 841 880 shares, each with a par value of NOK 0.01.

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

§ 5 | Board of directors

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

§ 6 | Signatory rights

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

§ 7 | General meetings

The annual general meeting shall address and decide upon the following matters:

1. Approval of the annual accounts and the annual report, including distribution of dividend.
2. Any other matters which are referred to the general meeting by law or the articles of association.

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

Retten til å delta og stemme på generalforsamlingen kan bare utøves når ervervet er innført i VPS den femte virkedagen før generalforsamlingen.

Styret kan beslutte at aksjeeiere som vil delta på generalforsamlingen, må melde dette til selskapet innen en bestemt frist som ikke kan utløpe tidligere enn tre dager før generalforsamlingen.

§ 8 | Innkalling til generalforsamling

Innkalling til generalforsamling skal skje ved skriftlig henvendelse til alle aksjeeiere med kjent adresse.

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

The right to participate and vote at the general meeting may only be exercised when the acquisition is entered in the VPS the fifth business day before the general meeting.

The board of directors may decide that shareholders who want to participate in the general meeting must notify the company thereof within a specific deadline that cannot expire earlier than three days prior to the general meeting.

§ 8 | Notice of general meeting

Notice of general meetings shall be made by written notification to all shareholders with known address.

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