

**Q4 2021**  
Interim report

# Highlights Q4 2021

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- Simplifai contracted monthly recurring revenue (MRR) up 233% YoY
- Elop Technology receives first order from Japan and signs LOI for distribution rights to the Japanese market
- The first Elop Insight units delivered to clients
- Several successful Elop Insight field tests completed and development of Insight Crawler on track
- Feedback from industrial players that want inspection to become standard part of hand-over inspection and documentation
- Simplifai signs contract to supply a major office space provider in Asia with the digital employee solution
- Private placement raising gross proceeds of NOK 100 million
- Cash balance of NOK 124 million at the end of Q4 2021

## Subsequent events

- Elop Technology secures distribution of the Elop Insight in 11 new markets
- First Elop Insight sales secured in the UK and France
- Simplifai has an office in Kiev with 9 software developers affected by the Russian invasion
- Simplifai secures break through contracts in the Philippines and in the Indian Insurance sector
- Simplifai today announces NOK 1 billion ARR target by end-2026

# Financials

## Group financial review

Elop group reports its operations in two segments: Elop Technology and Simplifai. The Simplifai AS ("Simplifai") transaction was completed on 18 January 2021 and Simplifai was consolidated into the accounts from this date. Figures in brackets represent same period prior year or balance sheet date as of 31st December 2020. Pro-forma restated figures which consolidate Simplifai have not been prepared.

### Financial results

The group operating revenues in Q4 2021 amounted to NOK 5.0 million (NOK 0 million). The group operating revenues were NOK 13.3 million in 2021 (NOK 0 million). Elop Technology had external revenues of NOK 0.2 million and Simplifai NOK 4.7 million.

Simplifai contracted MRR (Monthly Recurring Revenue) at end of Q4 2021, reached NOK 1.1m, up 233% from end of Q4 2020. Positive effects from resolving the GDPR issues caused by Schrems II, the landmark data privacy verdict issued in July 2020 by the Court of Justice in EU,

Further comments are provided under each of the business segments.

Cost of sales in Simplifai, amounted to NOK 1.3 million (NOK 0.1 million) in Q4 2021 and NOK 2.8 million (NOK 0.1 million) in 2021.

Employee benefit expenses amounted to NOK 11.9 million (NOK 6.4 million) in Q4 2021 and NOK 48.8 million (NOK 9.5 million) in 2021. The increase is due to a rise in number of staff in Elop and consolidation of Simplifai into the group figures for 2021

Other operating expenses amounted to NOK 6.7 million (NOK 10.7 million) in Q4 2021 and NOK 25.9 million (NOK 21.0 million) in 2021.

Capitalized costs related to hardware and software development amounted to NOK 10.0 million (NOK 5.7 million) and NOK 45.2 million (NOK 28.2 million) in 2021.

EBITDA amounted to NOK -14.9 million (NOK -17.2 million) in Q4 2021 and NOK -64.1 million (NOK -30.6 million) in 2021.

Depreciation and amortization amounted to NOK 4.7 million (NOK 0 million) in Q4 2021 and NOK 12.6 million (NOK 0.4 million) in 2021, consisting mainly of depreciation of intangible assets.

EBIT amounted to NOK -19.6 million (NOK -17.2 million) in Q4 2021 and NOK -76.7 million (NOK -31.0 million) in 2021.

Net financial items of NOK 0.0 million (NOK -0.1 million) in Q4 2021. 2021 net financials amounted to NOK -1.0 million (NOK -0.3 million).

Net profit was NOK -19.6 million (NOK -17.4 million) in Q4 2021 and net profit NOK -77.3 million (NOK -31.2 million) in 2021.

### Financial position

Total assets as of 31 December 2021 were NOK 362.4 million (NOK 164.2 million). Non-current assets were NOK 225.6 million (NOK 37.3 million) and consisted mainly of goodwill NOK 121.1 million (NOK 0 million) and intangible assets NOK 94.4 million (NOK 28.7 million)

Current assets amounted to NOK 136.8 million (NOK 126.9 million) and comprised primarily of NOK 124.4 million in cash (NOK 116.3 million).

Equity as of 31 December 2021 amounted to NOK 317.7 million (NOK 134.6 million), representing an equity ratio of 88% (82%). Total liabilities as of 31 December 2021 amounted to NOK 44.8 million (NOK 29.5 million), whereof NOK 11.5 million (NOK 4.8 million) in non-current liabilities to financial institutions. Current liabilities amounted to NOK 27.1 million (NOK 19.4 million).

### Cashflow

Cash flow from operating activities in Q4 2021 was NOK -15.2 million (NOK -9.3 million). Cash from investment activities was NOK -3.2 million (NOK -6.8 million), Cash flows from financing activities was NOK 95.9 million (NOK -0.1 million).

## Segment review

## Elop Technology

Elop Technology develops unique tools and digital solutions to inspect, monitor and manage infrastructure worldwide. The company's technology portfolio includes patented ultrasound technology for inspection and analysis of critical infrastructure. Through data-driven and AI-based solutions for inspection and predictive maintenance of concrete infrastructure, Elop Technology's vision is to provide asset owners and managers with solutions that improve safety, extend asset lifetime, minimise total lifecycle cost and environmental footprint.

### Operational development

#### Product and software development

Elop Insight is the world's first rolling, dry-coupled, ultrasonic scanning solution for concrete inspection. With real time, 3D imaging, Elop Insight accurately and efficiently reveals the internal state of concrete structures, giving immediate and actionable insight. By combining this unique data insight with a scalable, cloud-based asset management system that will be developed, we will aim to provide a holistic asset management platform where infrastructure owners and managers can inspect, manage and proactively monitor their infrastructure portfolio. Our aim is to include contextual data such as weather, traffic and scanner data leveraging other technologies. The aggregate data, including 3D-videos, models and images, is easy to access, interpret, analyse and share among the stakeholders in the process.

#### Insight Scanner

The scanning technology in Insight Scanner has been refined and shall be tuned to also fit into combined products to be sold through industrial partnerships. Technical improvements during the period includes added ability to tackle surface waves, and to enhance the elastomer rings to tackle rougher surfaces. This will allow the scanner to tackle the tougher objects with higher accuracy, which will further fortify the position as the market leading ultrasound NDT device.

Elop Technology is continuously seeking to enhance the Elop Insight scanner by integrating new technologies and capabilities. The development is aimed at reducing product costs, increasing product robustness and ease of manufacturing, allowing for more user friendliness, and further improving the signal imaging.

#### Insight Crawler

Elop Insight will be combined with a vacuum crawler designed for concrete structures to create the "InsightCrawler" - a tool that will be able to climb vertically on concrete infrastructure such as dams, cooling towers and bridges to provide an efficient mapping of its internal condition. DEKRA Visatec is a partner in the development of the interface connecting the two technologies. ICM (International Climbing Machines) is one of the projects technology partners.

Development of the first InsightCrawler prototype was completed during Q4 2021. Testing of the prototype is ongoing. Further development of the InsightCrawler will be done in close coordination with potential new clients.

#### Software development

There has been implemented significant improvements to the software in the Elop Insight to remove noise and to enhance the visual presentation of the scanned images. Elop's goal is to lower the threshold for the competence requirement to use the Insight Scanner and thus it is important for the visual presentation to be an accurate reflection of the reality, without the needed expertise to deduce from 2D heat map images from different orientation. In addition, there was also implemented extensive measures to ensure the data security of the software to ensure that it is compliant with different data security and privacy regulations worldwide.

As our next strategic initiative, Elop has begun the work to implement the next generation of software to complete the service offering. The current use case for the Elop software is for inspections and are built mainly for inspectors to assist them on the field. The next generation Elop software will be expanding into the whole Asset Management cycle. With asset owners and asset managers worldwide can use our software to manage their asset, inspections and reporting.

#### Commercial development

Elop Technology is in the process of expanding the sales and distribution channels in defined target markets. Some of these distributors will qualify as partners, which means they are given the status to execute maintenance, repairs, and product training according to Elop Technology specifications and programs. During Q4 2021, Elop Technology signed a sales agent agreement for the markets in Spain and Portugal.

After the end of the quarter, distributor agreements were signed for UK, Ireland, France and several French speaking African countries

Elop Technology is executing field tests together with industrial partners to verify that the ultrasound technology can deliver the needs asset owners of large and critical infrastructure have to meet safety and environmental regulations as well as to ensure optimised operations. Selected fields tests completed during Q4 21

- Field test in a railway tunnel tunnel to detect air pockets between the concrete liner and the mountain wall
- Field test at railway track to assess new concrete structures that had not passed a visual inspection
- Field tests with the two main German research centres BAM and Fraunhofer

### Organisational development

The integration of Simplifai has allowed Elop Technology to accelerate the insourcing of key competencies within product and software development, R&D and production. Significant synergies have been realized.

The in-house product and software development organisation, as well as the sales and marketing teams, has been strengthened during the period. Niklas Persson commencing as Head of Global Sales in November 2021 and Marcus Jocham joined as head of Global Business Development in January 2022. Both join from the global testing and inspection specialist DEKRA Group.

## Simplifai

Simplifai develops a no-code automation platform using artificial intelligence to help clients across numerous industry sectors to grow efficiently. Simplifai's Digital Employee solutions can automate labour intensive work process where natural language communication including email, chat or documents are central. This includes customer relations, case handling, HR and accounting. Simplifai supports Elop Technology to develop data-driven and AI-based solutions for inspection and monitoring of critical infrastructure.

### Operational development

#### Product and software development

The core technology of the Simplifai platform, Simplifai Studio, is a no-code platform to build AI solutions to process incoming email and documents for customers in BFSI, public sector, as well as other industries with high volume in email and document traffic.

During the fourth quarter of 2021 Simplifai has made significant progress in product development. Simplifai's core technology platform, Simplifai Studio, has been enhanced to deliver higher automation grade with shorter implementation projects. In addition, there has been implemented other improvements to lower the technical competence requirement to use the system, thus opening the platform to a wider market. With GDPR and Schrems II in focus, Simplifai Studio has implemented and launched features that allows a compliant way of transferring knowledge between bots without transferring the training dataset. The data masking capability also ensures that sensitive data in Simplifai Studio are anonymized.

To support Simplifai's expansion ambition, Simplifai Studio has done the necessary improvement to ensure a simple deployment regime to roll out updates of the Simplifai Studio across the cloud instances across the global regions with the click of a button.

### Market observations

The intelligent process automation market is maturing, with more customers having gained experience with various automation technologies over the last few years. We see a growing demand for our products from both medium and large companies, with the number of qualified inbound leads growing, especially in Asia.

### Commercial progress

During 2021 Simplifai has signed large strategic customers in all markets where we are active, including the first clients in several new countries. During Q4, Simplifai has entered into several important contracts:

- A leading law firm in Norway
- The first Swedish customer
- A major Asian business centre operator

### Organisational development

Simplifai has added key roles during the period to increase the focus on operational excellence. As part of this Simplifai is also in the process of becoming ISO27001 certified. A customer success team has been established to nurture the existing customer base and to be ready for the launch of an online sales channel in Q1 2022.

## Outlook

Maintenance of critical concrete infrastructure is a growing global concern as the infrastructure is ageing and stressing the focus of assessing the structural health of concrete structures such as e.g., dams, cooling towers, bridges, office and residential property, and tunnels. There has been an increasing number of accidents over the last years which is putting safety on the agenda, highlighting the need for better tools to monitor structural integrity.

The Elop Insight scanner and associated software is expected to continue to be enhanced over the next quarters. The development of the first version of the AMS Insight is targeted to be completed in 2H 2022. the Structural Health Monitoring system is expected to be operational during 2024.

Companies and asset owners in several industries and geographical areas have shown interest in Elop Technology's ultrasound technology. Introducing new technology and opening new markets takes time. Elop Technology is therefore focusing on demonstrating the technology and gaining industry acceptance of its use and benefits and expanding its distribution and partner network.

ELOP expects to continue to see significant interest from all over the world for its technology. Since the end of Q3 Elop Technology has signed several new partner and distributor agreements securing sale, distribution, and promotion of its technology in a total of 18 countries. There are ongoing discussions and negotiations with multiple distributors and partners, and further agreements are expected to be announced in the coming months. The company expects to be present with its technology and products in 50+ countries before end of 2022

The global natural language processing ("NLP") market is estimated at USD 12 billion and is expected to grow at 20% per annum. The need for companies to utilize better and smarter solutions drives the ever more advanced tech developments, and the use of AI and NLP is a core technology that pushes the boundaries known today. As technology progresses, the opportunities for applying AI and NLP will expand in the future. Companies that fail to implement AI and NLP solutions are expected to have an increasing disadvantage vs those that implemented the technology. Companies aiming to maintain and enhance their competitive position will need to implement clear automation and AI strategic goals. Simplifai is well positioned to assist companies on this path.

Simplifai targets three to four times contracted MRR at year end 2022 vs year end 2021.

The Elop group aims to create a NOK 1 billion revenue company in 2025. Elop targets to establish the Elop technology as an industry standard and Simplifai as a global ISV within AI business process automation technology.

# Interim financial statements

## Consolidated income statement

Amounts in NOK thousand	Q4 2021	Q4 2020	FY 2021	FY 2020
Revenue	5,009	-	13,382	-
Other operating revenue	-	-	-	-
<b>Total revenue</b>	<b>5,009</b>	<b>-</b>	<b>13,382</b>	<b>-</b>
Cost of sales	1,288	135	2,804	145
Employee benefit expenses	11,877	6,364	48,802	9,453
Other operating expenses	6,699	10,708	25,857	21,016
Depreciation and amortization	4,736	-	12,579	420
<b>Operating profit/(loss) (EBIT)</b>	<b>(19,591)</b>	<b>(17,206)</b>	<b>(76,659)</b>	<b>(31,033)</b>
Financial income	205	0	239	77
Financial expenses	(377)	(150)	(1,153)	(261)
Net financial items	<b>(172)</b>	<b>(149)</b>	<b>(914)</b>	<b>(184)</b>
<b>Profit/(loss) before income tax</b>	<b>(19,763)</b>	<b>(17,355)</b>	<b>(77,573)</b>	<b>(31,216)</b>
Tax income +/- tax expense -	57	-	229	-
<b>Profit/(loss) for the year</b>	<b>(19,706)</b>	<b>(17,355)</b>	<b>(77,344)</b>	<b>(31,216)</b>
<b>Profit/(loss) for the period is attributable to:</b>				
Non-controlling interests	39	-	187	-
Owners of ELOP AS	(19,745)	(17,355)	(77,532)	(31,216)

## Consolidated statement of comprehensive income

Amounts in NOK thousand	Q4 2021	Q4 2020	FY 2021	FY 2020
<b>Profit/(loss) for the year</b>	<b>(19,706)</b>	<b>(17,355)</b>	<b>(77,344)</b>	<b>(31,216)</b>
Other comprehensive income:	-	-	2	-
<b>Total comprehensive income/(loss) for the year</b>	<b>(19,706)</b>	<b>(17,355)</b>	<b>(77,342)</b>	<b>(31,216)</b>
<b>Total comprehensive income/(loss) is attributable to:</b>				
Non-controlling interests	39	-	148	-
Owners of ELOP AS	(19,745)	(17,355)	(77,491)	(31,216)

## Balance sheet

Amounts in NOK thousand	Q4 2021	FY 2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	121,094	-
Intangible assets	94,441	28,690
Property, plant and equipment	3,305	1,367
Right of use assets	6,747	7,253
<b>Total non-current assets</b>	<b>225,586</b>	<b>37,310</b>
<b>Current assets</b>		
Inventory	734	164
Trade receivables	4,823	-
Other current receivables	6,847	10,439
Cash and cash equivalents	124,408	116,272
<b>Total current assets</b>	<b>136,812</b>	<b>126,875</b>
<b>TOTAL ASSETS</b>	<b>362,398</b>	<b>164,185</b>

Amounts in NOK thousand	Q4 2021	FY 2020
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	5,900	3,515
Share premium	434,787	181,220
Other equity reserves	20,008	4,572
Translation differenses	2	-
Retained earnings (deficit)	(143,284)	(54,664)
<b>Equity attributable to equity holders of Elop AS</b>	<b>317,414</b>	<b>134,643</b>
Non-controlling interests	187	-
<b>Total equity</b>	<b>317,601</b>	<b>134,643</b>
<b>Non-current liabilities</b>		
Non-current liabilities to financial institutions	11,515	4,821
Non-current lease liabilities	3,902	5,326
Deferred tax liability	2,279	-
<b>Total non-current liabilities</b>	<b>17,697</b>	<b>10,147</b>
<b>Current liabilities</b>		
Trade payables	4,068	9,853
Current lease liability	3,419	-
Current tax liabilities	5,765	1,271
Other current liabilities	13,849	8,259
<b>Total current liabilities</b>	<b>27,100</b>	<b>19,383</b>
<b>Total liabilities</b>	<b>44,797</b>	<b>29,530</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>362,398</b>	<b>164,173</b>



## Consolidated cash flow statement

Amounts in NOK thousand	Q4 2021	Q4 2020	FY 2021	FY 2020
<b>Cashflows from operating activities</b>				
Profit/(loss) before income tax	(19,763)	(17,355)	(77,573)	(31,217)
<i>Adjustments for</i>				
Depreciation and amortization	4,736	420	12,579	420
Change in trade and other receivables	(3,608)	13	(1,231)	13
Change in inventory	(401)	(164)	(570)	(164)
Change in trade and other payables	(3,691)	7,168	(5,785)	8,303
Change in accruals	(2,998)	347	15,822	(4,555)
Change in share-based expenses	717	216	8,854	216
Interest received	(205)	(2)	(239)	(2)
Interest paid	377	72	1,153	261
<b>Cashflow from operating activities</b>	<b>(24,836)</b>	<b>(9,287)</b>	<b>(46,990)</b>	<b>(26,726)</b>
<b>Cash flows from investing activities</b>				
Payment for investment company	-	-	(1,484)	-
Payment for property, plant and equipment	(449)	(1,112)	(1,938)	(1,304)
Payment for intangible assets	(2,751)	(5,741)	(45,249)	(16,317)
<b>Cashflow from investing activities</b>	<b>(3,200)</b>	<b>(6,853)</b>	<b>(48,671)</b>	<b>(17,621)</b>
<b>Cash flows from financing activities</b>				
Received funds - other debt (Non-current / Current)	2,729	-	2,729	
Repayment of other debt (Non-current / Current)	(250)	(0)	(970)	(2,089)
Interest received	205	2	239	2
Interest paid	(377)	(72)	(1,153)	(261)
Capital increase received funds	96,124	(1)	105,517	154,952
<b>Cashflow from financing activities</b>	<b>95,866</b>	<b>(71)</b>	<b>103,796</b>	<b>152,604</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>67,830</b>	<b>(16,211)</b>	<b>8,136</b>	<b>108,257</b>
Cash and cash equivalents in the beginning of period	56,577	132,482	116,272	8,014
<b>Cash and cash equivalents as of 31 Dec</b>	<b>124,407</b>	<b>116,271</b>	<b>124,407</b>	<b>116,272</b>

# Notes

## Note 1 General Information

### Corporate information:

Elop AS (the Company) was founded in 2013 and is a limited liability company who is incorporated and domiciled in Norway, with its head office in Drammensveien 133, 0277 Oslo. The Company is listed on Euronext Growth and has the ticker "ELOP-ME".

### Basis of preparation:

- The consolidated financial statements for the first half year of 2021 have been prepared in accordance with IAS 34, Interim Financial Reporting.
- All numbers are in NOK thousand
- The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020. For detailed information see the annual report 2020.
- As a result of rounding, figures and percentages will not always be able to be summed up to the total.
- The interim financial statement for 2021 is unaudited.

### Critical accounting estimates and judgements in terms of accounting policies:

In preparing these interim condensed consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. Actual results may differ from these estimates

## Note 2 Segments

The groups business is managed by two segments - Elop Technology and Simplifai - which are monitored separately. The internal management reports provided by management to the Group's Board of Directors, which is the groups decision maker, is in accordance with this structure.

**Elop Technology** has developed a patented technology based on ultrasound for inspection and mapping of critical infrastructure. The company develops and commercializes tools and digital solutions to inspect, monitor and manage infrastructure worldwide. The vision is to provide owners of constructions with smart solutions that contribute to increased safety and service life, and reduced service life costs and climate footprint.

**Simplifai** develops automation solutions using artificial intelligence to help its clients grow and cut costs. Its business concept is to develop automation systems that give business managers one tool to extract the value from all their existing systems.

Segments YTD - 2021				
Amounts in NOK thousand	Elop Technology	Simplifai	Unallocated/eliminated	Total Group
Revenue	266	13,117		13,382
Internal revenue	96	9,094	-9,190	-
<b>Total revenue</b>	<b>362</b>	<b>22,210</b>	<b>-9,190</b>	<b>13,382</b>
Cost of sales	220	2,584	-	2,804
Employee benefit expenses	15,699	26,131	6,973	48,803
Other operating expenses	12,800	7,482	5,646	25,857
Depreciation and amortization	3,633	6,816	2,129	12,579
<b>Total operating expenses</b>	<b>32,351</b>	<b>43,013</b>	<b>14,748</b>	<b>90,042</b>
<b>Operating profit/(loss) (EBIT)</b>	<b>-31,990</b>	<b>-20,803</b>	<b>-23,938</b>	<b>-76,660</b>
<b>EBITDA</b>	<b>-28,356</b>	<b>-13,987</b>	<b>-21,808</b>	<b>-64,081</b>
<b>Capitalized development</b>	<b>22,564</b>	<b>22,685</b>	<b>-164</b>	<b>45,085</b>

Segments Q4 2021				
Amounts in NOK thousand	Elop Technology	Simplifai	Unallocated/eliminated	Total Group
Revenue	233	4,776	-	5,009
Internal revenue	-	-9,722	9,723	0
<b>Total revenue</b>	<b>233</b>	<b>-4,946</b>	<b>9,723</b>	<b>5,009</b>
Cost of sales	220	-1,510	2,578	1,288
Employee benefit expenses <sup>1)</sup>	2,478	2,477	6,923	11,877
Other operating expenses	7,093	-1,468	1,144	6,769
Depreciation and amortization	802	3,991	-57	4,736
<b>Total operating expenses</b>	<b>10,592</b>	<b>3,490</b>	<b>10,588</b>	<b>24,670</b>
<b>Operating profit/(loss) (EBIT)</b>	<b>-10,360</b>	<b>-8,436</b>	<b>-865</b>	<b>-19,661</b>
<b>EBITDA</b>	<b>-9,557</b>	<b>-4,445</b>	<b>-922</b>	<b>-14,925</b>
<b>Capitalized development</b>	<b>4,911</b>	<b>4,915</b>	<b>-</b>	<b>9,826</b>

### Note 3 Revenue

Amounts in NOK thousand	4Q 2021	4Q 2020	FY 2021	FY 2020	FY 2020
Sales revenue - recognized at point in time	5,009	-	13,382	-	-
<b>Total</b>	<b>5,009</b>	<b>-</b>	<b>13,382</b>	<b>-</b>	<b>-</b>

## Note 4 Other operating expenses

Other operating expenses consists of the following:

Amounts in NOK thousand	Q4 2021	Q4 2020	FY 2021	FY 2020
Consultancy expenses	4,485	6,088	13,049	10,445
Research projects	9,826	5,741	45,085	28,175
Licence and royalty fees	220	282	542	282
Short-term leasing and other premises expenses	138	1,104	1,083	981
Capitalised operating expenses	-9,826	-5,741	-45,085	(28,175)
Other operating expenses	1,856	3,234	11,183	9,308
<b>Total other operating expenses</b>	<b>6,699</b>	<b>10,708</b>	<b>25,857</b>	<b>21,016</b>

## Note 5 Intangible assets and Goodwill

Amounts i NOK thousand	Intangible assets	Patents	Goodwill	Total	PP&E asset	Total assets
<b>Cost</b>						
<b>Cost at 1 January 2020</b>	<b>11,858</b>	<b>515</b>	-	<b>12,373</b>	<b>366</b>	<b>12,739</b>
Costs	23,341	-	-	23,341	1,213	24,555
Grants	(2,300)	-	-	(2,300)	-	(2,300)
Innovation grants (SkatteFUNN)	(4,724)	-	-	(4,724)	-	(4,724)
<b>Cost at 31 December 2020</b>	<b>28,175</b>	<b>515</b>	-	<b>28,690</b>	<b>1,580</b>	<b>30,270</b>
Costs	45,085	-	-	45,085	2,689	47,774
Business combination	36,700	-	121,094	157,794	155	157,949
Innovation grants (SkatteFUNN)	(7,309)	-	-	(7,309)	-	(7,309)
<b>Cost at 31 December 2021</b>	<b>102,651</b>	<b>515</b>	<b>121,094</b>	<b>224,260</b>	<b>4,424</b>	<b>228,684</b>
<b>Amortization, depreciation and impairment</b>						
<b>Accumulated at 31 December 2020</b>	-	-	-	-	<b>213</b>	<b>213</b>
Amortization and depreciation this year	8,726	-	-	8,726	835	9,561
<b>Accumulated at December 2021</b>	<b>8,726</b>	-	-	<b>8,726</b>	<b>1,048</b>	<b>9,774</b>
<b>Carrying amount at 31 December 2020</b>	<b>28,175</b>	<b>515</b>	-	<b>28,690</b>	<b>1,367</b>	<b>30,057</b>
<b>Carrying amount at 31 December 2021</b>	<b>93,925</b>	<b>515</b>	<b>121,094</b>	<b>215,534</b>	<b>3,305</b>	<b>218,839</b>
<b>Amortization method</b>	<i>Straight-line</i>	<i>Straight-line</i>	<i>N/A</i>		<i>Linear</i>	

Intangible assets:

Additions of intangible assets are related to capitalized costs regarding product development and development of software technology.

Patents:

The book value of patents amounts to NOK 514 thousand. These are patent costs for patent applications that are being processed. The costs are identifiable and are expected to represent future economic benefits. Processing of patent applications both in Norway and internationally takes a long time, in most cases several

years before a final decision is made. All patents' applications have not yet been approved, and no depreciation has been made in 2021.

#### Goodwill:

Goodwill relates to the acquisition of Simplifai. Details regarding fair value at actuation date, refer to note 6 – Business combination.

Goodwill will be tested for impairment at least annually, or when there are indications of impairment. To decide on Impairment of goodwill requires an estimate of the value in use of the cash-generating units that goodwill has been assigned. Calculation of value in use requires that the directors estimate future cash flows that are expected to arise from the cash-generating unit and an appropriate discount rate to calculate present value. Where the actual future cash flows are less than expected, a significant loss may occur in the event of impairment.

#### Property, plant, and equipment (PP&E)

The addition on Property, plant and equipment is related to purchase of equipment that is capitalized

## Note 6 Business combination

On 21 December 2020, Elop entered into an agreement to acquire 100 percent of the shares in Norwegian artificial intelligence (AI) company Simplifai AS (Simplifai), which gives Elop Technology immediate access to highly advanced SaaS and automation competence and resources.

Through partnering with Simplifai, Elop obtains technological and commercial resources that enable the company to move faster towards a commercially viable data driven, cloud-based software as a service business model for monitoring and optimized maintenance of concrete infrastructure.

18 of January 2021 Elop completed the acquisition of 100% of the shares in Simplifai. The fair value of the agreed purchase price was NOK 148.5 million, of which NOK 147 million were in shares issued in Elop AS and NOK 1.5 million were in cash.

The purchase price allocation is identified assets and liabilities are set out in the table below:

Amounts i NOK thousand	
<b>Purchase consideration</b>	
Cash consideration	1,500
Issuance of shares	147,000
<b>Total purchase consideration</b>	<b>148,500</b>
Customer relationship	7,100
Techonolgy	29,600
Other PP&E	155
Other non-current assets	1,096
Current assets	1,100
Cash and cash equivalents	9,800
Deferred tax liability	(2,508)
Non-current liabilities	(12,000)
Current liabilities	(6,937)
<b>Total net identifiable assets acquired as fair value</b>	<b>27,406</b>
Consideration	148,500
<b>Goodwill</b>	<b>121,094</b>
<b>Net cash inflow arising on acquisition</b>	
Cash consideration	1,500
<i>Less:</i>	
Cash and cash equivalent balances acquired	(9,800)
<b>Net cash inflow arising on acquisition</b>	<b>(8,300)</b>

For comparison purposes, assuming that the acquisition had taken place at 1. January 2021, it is estimated that the first half year 2021 revenues and net profit would have approximately been the same as reported.

### Note 7 Alternative performance measures (APM)

The European Securities and Markets Authority (ESMA) issued guidelines on Alternative Performance Measures ("APMs") that came into force on 3 July 2016. Alternative performance measures are meant to provide an enhanced insight into the operations, financing, and future prospects of the company. The Company has defined and explained the purpose of the following APMs:

Contracted Monthly Recurring Revenue (MRR) – the sum of contracted revenues at each month end using end. Measured from when contract is entered into. MRR, in client contracts for which part of monthly payment are based on user statistics, are included based on historical average payments last 3 quarters and on the customers volume indications for new customers. Price increases or upsells included from month taking effect.

Capitalized development costs – capitalized costs for hardware and software development in Elop Technology and Simplifai.

EBIT – earnings before net finance cost (including interest cost) and taxes, but including amortisation, depreciation and impairments.

EBITDA – earnings before net finance cost (including interest cost), taxes, amortisation, depreciation and impairments

## Note 8 Risks and forward-looking statement

It is important to note that Elop and the group is subject to a number of risk factors. The Elop group is engaged in the development and commercialisation of new ground-breaking technology, which is inherently associated with a number of material uncertainty and risk factors. These include, but are not limited to, whether the company will be successful in the various development and production initiatives currently being undertaken, including whether such development and production can be completed in a timely manner, whether free cash flow will be sufficient to support Elop's development activities and if new financing is required whether such new financing will become available to the company and on what terms and conditions, the attractiveness of Elop's products and services, market adaptation and the pace of such adaptation and current and the entrance of, if any, new competition.

In addition, a number of other additional risk factors are applicable to Elop, including changes in governmental regulations, industry risk factors, the ability to attract and retain key employees and risk factors associated with the Elop shares. In this connection, we refer to the risk factors set out in the admission document published by the company in connection with the listing of the Elop shares

This interim report includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. Such forward-looking information and statements are based on current expectations, projections and estimates. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, uncertainty associated with the technical development of hardware and software offerings, the attractiveness of or products and services, market adaptation and the pace of such adaptation, competition, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time. Although Elop believes that its expectations and the information in this report were based upon reasonable assumptions at the time when they were made, actual results may vary significantly. Elop undertakes no obligation to publicly update or revise any forward-looking information or statements in the report.