

**Q2 and H1 2021**  
Interim report

# Highlights Q2 and H1 2021

## Highlights

- Several successful Elop Insight field tests completed within different industry verticals
- Strategic industrial partnerships agreed with DEKRA Visatec (globally) and Terratec (Nordics+)
- Signed R&D partnership with Norwegian Public Roads Administration
- Several contract wins for Simplifai
  - Two first municipality clients for Simplifai, as part of public sector growth strategy
  - Strategic AI automation contract within insurance sector
  - First contracts in the Asian market
- Simplifai enters into several partnerships
  - Strategic partnerships with Documaster and Crayon (Norway)
  - Strategic partnership with Data Matters B.V (Netherlands)
- Simplifai contracted monthly recurring revenue (MRR) of NOK 0,6m at end of Q2 2021, up 82% YoY
- Cash balance of NOK 81 million at the end of Q2 2021
- Covid-19 continues to affect the business of Elop Technology and Simplifai

## Subsequent events

- Internal reorganisation of group completed in August 2021. The internal reorganisation has established Elop AS a holding company for the group, with Elop Technology AS and Simplifai AS as its operating subsidiaries
- First sales contracts signed for Elop Insight scanner with targeted delivery in October 2021
- Development of Insight Crawler started with DEKRA Visatec and first prototype tested

## Message from our CEO

The second quarter of 2021 has been eventful and highly positive for Elop Technology. After launching our Elop Insight scanner at the end of 2020 we are well underway towards opening new markets for our technology and changing the way infrastructure owners maintain their assets. This journey takes time, but the benefit is that the market potential is huge and constantly growing. To build the foundation our future depends on we must prove our value, step-by-step. The only way of doing this is to let our stakeholders test and try the technology, allowing them to experience and understand the value we bring to the table.

Ageing infrastructure combined with significant backlog of maintenance is a growing global risk and concern. Unfortunately, we have seen an increasing number of accidents over the last years confirming the risks ageing infrastructure represents when we are not able to tell the condition of the structure and decide if it's safe or not. Not taking care of our infrastructure over time can result in fatal accidents as well as great economic and environmental cost. By taking care of our existing infrastructure, we can make sure they reach the expected lifetime of 50-100 years and even extend the lifetime of the concrete structures with 50-100%, reduce the risk of collapse, reduce the cost, and reduce the negative impact on the environment. And this is exactly our mission. In Elop we are motivated by the solid belief that the technology we have developed is important and it can make a true difference.

The value we create have during the second quarter been confirmed numerous times by the agreements we have signed and partnerships we have entered in to, by the successful tests and studies done with and in cooperation with several large infrastructure players learning and understanding about our unique technology and laying ground for the commercialisation of our solutions. Examples of this is our strategic industrial partnership with DEKRA Visatec GmbH and Terratec for the Nordics and successful field test with Equinor, Aker Solutions, Veidekke and the Swedish Roads Administration. I am also pleased to announce we have secured our first sales orders of the Elop Insight scanner.

Another significant event in the second quarter was completing the integration of Simplifai into the Elop family. Simplifai develops automation solutions using artificial intelligence to help clients across numerous industry sectors to grow efficiently. During H1 Simplifai entered into breakthrough contracts within public sector with the Norwegian National Archive Services and with Eika within insurance, both of which are a part of Simplifais growth strategy. The company has also won its first global contracts in Asia and expanded its sales pipeline through strategic partnerships agreements in the Nordics.

For Elop, Simplifai becoming a part of the family has been brilliant. Not only is Simplifai successful with their AI solutions focusing on Digital Employees and automation solutions, proven by several contracts wins this year, but they have also been of great value for Elop's development. Thanks to their knowhow, unique AI platform and expertise, we are now able to deliver better and more valuable solutions to our customers. We have developed solutions that process and visualize the data and information we gather from concrete structures into something that is simple to understand, we have done it in record time and at a much lower cost than we initially expected, all thanks to Simplifai.

Currently, our teams are developing an Asset Management Solutions and will in the next phase commence the development of an AI based Structural Health Monitoring systems creating even better and more valuable solutions for our customers and partners, this being possible thanks to the combined competence of our business units

Each business unit has great potential, and we believe both are well positioned to achieve a commercial breakthrough. Together we are Elop and together we are stronger. Finally, I am proud of the work all my colleagues are doing in both Elop Technology and Simplifai, and of what we have achieved so far. Thanks to our dedicated colleagues, and to our shareholders who believe in and support what we are building. We have taken huge steps so far this year and I am confident we will reach our target of becoming a 1 billion company in 2025!



Øivind Horpestad, CEO



# 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 Q2 2021 amounted to NOK 2.0 million (NOK 0.0 million). The group operating revenues were NOK 4.2 million in H1 21 (NOK 0.0 million). Elop Technology had external revenues of NOK 0.0 million (NOK 0.0 million) and Simplifai NOK 4.2 million.

Simplifai contracted MRR (Monthly Recurring Revenue) at end of Q2 2021, reached NOK 0.6m, up 82% from end of Q2 2020. The MRR growth was negatively impacted by Schrems II, the landmark data privacy verdict issued in July 2020 by the Court of Justice in EU, which have had significant negative impact on customers' willingness to purchase cloud-based systems.

Further comments are provided under each of the business segments.

Cost of sales in Simplifai, amounted to NOK 1.8 million (NOK 0.0 million) in Q2 2021 and NOK 2.0 million (NOK 0.0 million) in H1 2021.

Employee benefit expenses amounted to NOK 11.6 million (NOK 1.0 million) in Q2 2021 and NOK 28.1 million (NOK 3.0 million) in 1H 2021. The increase is due to a rise in number of staff in Elop, consolidation of Simplifai into the group figures for 2021 and a restructuring provision of NOK 3.9 million related to organizational changes.

Other operating expenses amounted to NOK 9.4 million (NOK 5.2 million) in Q2 2021 and NOK 13.4 million (NOK 10.3 million) in 1H 2021.

Capitalized costs related to hardware and software development amounted to NOK 9.9 million (NOK 1.1 million) and NOK 25.7 million (NOK 1.2 million) in 1H 2021.

EBITDA amounted to NOK -15.0 million (NOK -6.2 million) in Q2 2021 and NOK -33.5 million (NOK -13.4 million) in H1 2021.

Depreciation and amortization amounted to NOK 3.5 million (NOK 0.0 million) in Q2 2021 and NOK 5.4 million (NOK 0.0 million) in H1 2021, consisting mainly of depreciation of intangible assets.

EBIT amounted to NOK -18.5 million (NOK -6.2 million) in Q2 2021 and NOK -38.9 million (NOK -13.4 million) in H1 2021.

Net financial items of NOK -0.3 million (NOK 0.0 million) in Q2 2021. H1 2021 net financials amounted to NOK -0.5 million (NOK -0.1 million).

Net profit was NOK -18.6 million (NOK -6.2 million) in Q2 2021 and net profit NOK -39.3 million (-NOK 13.5 million) in H1 2021.

### Financial position

Total assets as of 30 June 2021 were NOK 311 million (NOK 164 million). Non-current assets were NOK 213 million (NOK 37 million) and consisted mainly of goodwill NOK 121 million (NOK 0 million) and intangible assets NOK 84 million (NOK 29 million)

Current assets amounted to NOK 98 million (NOK 127 million) and comprised primarily of NOK 81 million in cash (NOK 116 million). As previously communicated, and according to the business plan, the Company is funded into H1 2022.

Equity as of 30 June 2021 amounted to NOK 261 million (NOK 135 million), representing an equity ratio of 84% (82%). Total liabilities as of 30 June 2021 amounted to NOK 50 million (NOK 30 million), whereof NOK 12 million (NOK 5 million) in non-current liabilities to financial institutions. Current liabilities amounted to NOK 32 million (NOK 19 million).

### Cashflow

Cash flow from operating activities in Q2 2021 was NOK -4 million (NOK -5 million). Cash from investment activities was NOK -18 million (negative NOK 4 million), Cash flows from financing activities was NOK 1 million (NOK 0 million).

# Segment reviews

## 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 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.

The scanning technology 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 scanning a depth of 2 meters and including support of remote analysis.

The software roadmap is developed in close dialogue with key customer segment representatives such as Norwegian Public Roads Administration, with the aim that anyone – not only trained inspectors - should be able to use the scanner and understand its output.

Elop identified and resolved several technical challenges and software issues during 1H 2021, demonstrating the organisation's technical competence. The first initial batch of the Elop Insight is expected to start delivery to customers in October 2021. In recent months, Elop have made strategic changes to technical management, technical development, and the manufacturing of Elop Insight scanner. Elop has reduced the use of external hardware and software development consultants and is now managing the main development tracks in-house. Elop is building up a dedicated development team in India and Ukraine and leveraging Simplifai's existing teams in these locations. A new technical management was phased in during Q1 2021 and the manufacturing of an initial small batch of Elop Insight scanners have moved in-house in order to secure improved control of cost and risks, while at the same time ensuring that key competencies are developed within the company.

#### Commercial progress

The first batch of ultrasound scanners is being assembled inhouse for delivery in October, and first sales orders have been finalized

In H1 2021 several key strategic partnerships have been established.

- Elop AS and DEKRA Visatec GmbH, part of the global expert organisation DEKRA, signed a letter of intent on entering into a commercial agreement to create a better and more efficient way of inspecting large concrete infrastructure with ultrasound. The commercial agreement is expected to be completed within the next few months.
- R&D partnership with Norwegian Public Roads Administration to develop IT tool for management of concrete structures
- Strategic cooperation agreement with Terratec AS, a Nordic provider of survey and inspection services, regarding the commercial use of Elop's technology

Elop Technology has together with industrial partners conducted several field tests to verify that the ultrasound technology can deliver the needs owners of large and critical infrastructure have in order to meet safety and environmental regulations as well as ensure optimised operations. These tests include successful field testing with major owners of large concrete structures including Veidekke, Equinor and Aker Solutions

proving the ability to produce accurate imaging up to 140 cm of concrete thickness giving new insights in a cost-effective way. For example:

- Field test with Equinor Conducted at the leaning tower of Jåttåvågen in Stavanger, especially suitable for such tests with varying wall thickness and angled construction and that the Elop Insight can be used to inspect light weight concrete.
- Field test with inspection partner Invator AB at Abisko bridge in Sweden
- Field test with Veidekke in Brumunddal, Norway detecting hidden air pockets in tendon ducts and optimize workflow to increase speed and accuracy.

The field tests create awareness around what possibilities ultrasound scanning brings and can verify that Elop Insight provides its customers with more data than by using traditional tools. Elop Technology has started to position ultrasound as one of the industry standard technologies used to conduct inspections of large infrastructure assets, in a similar manner to how scanning of welded joints in the steel construction industry is today.

Covid-19 restrictions continue to make physical sales demonstrations of Elop's technology difficult. However, as some restrictions were lifted during Q2 the company was able to conduct selected field tests in Europe.

### Organisational development

A new management team was phased in during H1 2021 taking over the responsibilities gradually from the former management team. The Elop organisation was reorganized after Simplifai was integrated into the Elop group in January 2021. There is a joint management and technology team across Elop and Simplifai with shared common resources in areas such as marketing, business development, software development and finance.

The integration of Simplifai has allowed Elop Technology to accelerate the insourcing of key competencies within product and software development, R&D and production. This allows better control and reduced costs in product development and ensures that critical competences are employed internally within the company. The in-house product and software development organisation has grown significantly during the period and while the use of external consultants supporting hardware and software development has shrunk to almost zero. Significant synergies have been realized and the company is on track to realize minimum NOK 30 million in synergies.

## Simplifai

Simplifai develops automation solutions 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 has been enhanced to require smaller amounts of data to achieve high automation rates. This results in shorter implementation projects compared to alternatives provided by competitors. Simplifai's flagship concept the "Digital Employee" was enhanced with the launch of the Documentbot product in Q1 2021.

During the second quarter of 2021 Simplifai was granted funds by Innovation Norway to start building a new industrial digital employee called a "Digital Jurist" (Digital Lawyer). The project is expected to commence in Q3 2021 together with partners Claims Link and HDI.

#### Market observations

The increasing focus on privacy concerns around the world has made SaaS solutions more challenging to sell as they tap into communication flows. Schrems II, the landmark data privacy verdict issued in July 2020 by the Court of Justice in EU, have had significant negative impact on customers' willingness to purchase cloud-based systems. Simplifai has mitigated the challenge by changing the way SaaS is delivered with the aim to be considered best in class in terms of privacy. Simplifai has worked closely with several potential customers to solve these issues during the first half of 2021. This work was completed just before summer with the signing of the contract with Eika Forsikring after a lengthy GDPR and Schrems II evaluation process.

## Commercial progress

Simplifai has entered into several important contracts during H1 2021:

- Contracts with insurance specialists Eika Forsikring, Landkreditt Forsikring and Knif Trygghet Forsikring.
- Strategic breakthrough in the Norwegian public sector with a contract with National Archives Services of Norway (NASN). The project has been a success with interest from broad parts of the public sector
- First contract in the Indian market, landing one of India's best-known Internet brands, Shaadi.com
- First contract in APAC outside of India, closing a contract with Singapore based Navigate Communications Pte Ltd.
- Strategic partnership agreement with the license specialists company Crayon Norge AS.
- Strategic partnership agreement with document management company Documaster AS. The partnership has already landed its first clients, two Norwegian municipalities, and is part of a public sector growth strategy.
- Strategic partnership agreement with Data Matters B.V., a leading specialist of information management and digital archiving solutions and consultancy to local government across The Netherlands

Covid-19 has had a negative effect for Simplifai during the first half of 2021, especially in the Indian market. The number of COVID cases in India increased significantly during H1 2021. The Indian economy took a severe hit, and investments by companies in technologies as Simplifai came to a halt. The number of new COVID cases has been reduced over the past few months, but there is a risk that there will be new infection wave over the next months.

## Organisational development

Simplifai has added several key managerial roles during the period to increase the focus on operational excellence in marketing, delivery, sales and partner management. The marketing team has grown significantly to reflect the strategic focus on generating inbound leads to shorten sales processes and increase pipeline. A customer success team has been established to nurture the existing customer base and to be ready for the planned launch of an online sales channel in Q3-21. The commercial organization has grown significantly with local presence established in the Netherlands and Denmark, in addition to an expansion of the Indian commercial teams to support partner and sales activities in the Middle East and ASEAN.

# 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.

Elop Technology expects to complete the manufacturing of its first initial batch (8 units) of Elop Insight in Q3 2021. The first units are expected to be shipped during October. Manufacturing will remain in-house in the near term.

The Elop Insight scanner and associated software is expected to continue to be enhanced over the next quarters. The development of AMS Insight is expected to speed up over the next quarters with the aim to complete the first version in Q3 2022. The Structural Health Monitoring system is expected to be operational during 2024.

Companies in several industries 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. Elop Technology plans to continue to focus on running product demonstrations and building industrial partnerships.

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 five times contracted MRR at year end 2021 vs year end 2020.

The Elop group aims to create a NOK 1 billion revenue company in 2025 with target EBIT margin of > 40% and 75% of revenues from license fees from SaaS offering. Elop targets to establish the Elop technology as an industry standard and Simplifai as a global ISV within AI business process automation technology.



# Responsibility statement

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year 2021, which has been prepared in accordance with IAS 34 Interim Financial reporting gives a true and fair view of the Company's consolidated assets, liabilities, financial position and result of operations.

Oslo, 06.09.2021

Øivind Omar Horpestad (Sign)

Chairman and CEO

Kristian Gjertsen Lundkvist (Sign)

Member

Lars Nilsen (Sign)

Member

Ketil Melandsø Skaget (Sign)

Member

# Interim financial statements

## Consolidated income statement

Amounts in NOK thousand	Note	Q2 2021	Q2 2020	1H 2021	1H 2020	FY 2020
Revenue	2,3	1,952	-	4,246	-	-
Other operating revenue		-	-	-	-	-
<b>Total revenue</b>		<b>1,952</b>	<b>-</b>	<b>4,246</b>	<b>-</b>	<b>-</b>
Cost of sales		1,767	(36)	1,958	10	145
Employee benefit expenses		5,811	990	22,370	3,089	9,453
Other operating expenses	4	9,375	5,197	13,390	10,308	21,016
Depreciation and amortization	5	3,458	-	5,430	-	420
<b>Operating profit/(loss) (EBIT)</b>		<b>(18,458)</b>	<b>(6,151)</b>	<b>(38,901)</b>	<b>(13,407)</b>	<b>(31,033)</b>
Financial income		20	(0)	27	-	77
Financial expenses		(275)	(41)	(466)	(111)	(261)
Net financial items		<b>(255)</b>	<b>(41)</b>	<b>(439)</b>	<b>(111)</b>	<b>(184)</b>
<b>Profit/(loss) before income tax</b>		<b>(18,714)</b>	<b>(6,192)</b>	<b>(39,341)</b>	<b>(13,518)</b>	<b>(31,216)</b>
Tax income +/- tax expense -		78	-	78	-	-
<b>Profit/(loss) for the year</b>		<b>(18,636)</b>	<b>(6,192)</b>	<b>(39,263)</b>	<b>(13,518)</b>	<b>(31,216)</b>
<b>Profit/(loss) for the period is attributable to:</b>						
Non-controlling interests		26	-	108	-	-
Owners of ELOP AS		(18,662)	(6,192)	(39,371)	(13,518)	(31,216)

## Consolidated statement of comprehensive income

Amounts in NOK thousand	Note	Q2 2021	Q2 2020	1H 2021	1H 2020	FY 2020
<b>Profit/(loss) for the year</b>		<b>(18,636)</b>	<b>(6,192)</b>	<b>(39,263)</b>	<b>(13,518)</b>	<b>(31,216)</b>
Other comprehensive income:		-	-	<b>(3)</b>	-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>(18,636)</b>	<b>(6,192)</b>	<b>(39,266)</b>	<b>(13,518)</b>	<b>(31,216)</b>
<b>Total comprehensive income/(loss) is attributable to:</b>						
Non-controlling interests		26	-	108	-	-
Owners of ELOP AS		(18,662)	(6,192)	(39,374)	(13,518)	(31,216)

## Balance sheet

Amounts in NOK thousand	Note	1H 2021	1H 2020	FY 2020
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	5,6	121,245	-	-
Intangible assets	5	83,781	17,377	28,690
Property, plant and equipment	5	2,126	350	1,367
Right of use assets		6,056	-	7,253
<b>Total non-current assets</b>		<b>213,208</b>	<b>17,727</b>	<b>37,310</b>
<b>Current assets</b>				
Inventory		333	-	164
Trade receivables		1,305	-	-
Other current receivables		14,789	358	10,439
Cash and cash equivalents		81,202	48,048	116,272
<b>Total current assets</b>		<b>97,629</b>	<b>48,406</b>	<b>126,875</b>
<b>TOTAL ASSETS</b>		<b>310,838</b>	<b>66,133</b>	<b>164,185</b>

Amounts in NOK thousand	Note	1H 2021	1H 2020	FY 2020
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		4,650	2,683	3,515
Share premium		336,062	86,648	181,220
Other equity reserves		14,347	4,356	4,572
Translation differenses		(3)	-	-
Retained earnings (deficit)		(93,986)	(36,970)	(54,664)
<b>Equity attributable to equity holders of Elop AS</b>		<b>261,071</b>	<b>56,717</b>	<b>134,643</b>
Non-controlling interests		108	-	-
<b>Total equity</b>		<b>261,179</b>	<b>56,717</b>	<b>134,643</b>
<b>Non-current liabilities</b>				
Non-current liabilities to financial institutions		11,608	4,821	4,821
Non-current lease liabilities		4,044	-	5,326
Deferred tax liability		2,389	-	-
<b>Total non-current liabilities</b>		<b>18,041</b>	<b>4,821</b>	<b>10,147</b>
<b>Current liabilities</b>				
Trade payables		16,501	1,791	9,853
Current lease liability		1,761	-	2,154
Current tax liabilities		2,295	(15)	1,271
Other current liabilities		11,060	2,819	6,117
<b>Total current liabilities</b>		<b>31,617</b>	<b>4,595</b>	<b>19,395</b>
<b>Total liabilities</b>		<b>49,659</b>	<b>9,416</b>	<b>29,542</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>310,838</b>	<b>66,133</b>	<b>164,185</b>

## Statement of changes in equity

### Atributable to equity holders of the parent

Amounts in NOK thousand	Share capital	Share premium	Other equity reserves	Retained earnings	Total	Non-Controlling interest	Total equity
<b>Balance at 31 December 2020</b>	<b>3,515</b>	<b>181,220</b>	<b>4,571</b>	<b>(54,664)</b>	<b>134,642</b>	-	<b>134,642</b>
Profit/(loss) for the year	-	-	-	(39,371)	(39,371)	108	(39,263)
Other Comprehensive income (OCI)	-	-	-	(3)	(3)	0	(3)
Total comprehensive income/(loss) for the year	-	-	-	(39,374)	(39,374)	108	(39,265)
Capital increase	1,135	154,843	-	-	155,978	-	155,978
Purchase and sales of own shares to employees	-	-	(544)	-	(544)	-	(544)
Share options/warrents	-	-	10,320	49	10,369	-	10,369
Other Equity	-	-	-	-	-	-	-
<b>Balance at 30 June 2021</b>	<b>4,650</b>	<b>336,062</b>	<b>14,347</b>	<b>(93,988)</b>	<b>261,071</b>	<b>108</b>	<b>261,179</b>

## Consolidated cash flow statement

Amounts in NOK thousand	2Q 2021	2Q 2020	1H 2021	1H 2020	FY 2020
<b>Cashflows from operating activities</b>					
Profit/(loss) before income tax	(18,714)	(6,192)	(39,341)	(13,518)	(31,217)
<i>Adjustments for</i>					
Depreciation and amortization	3,458	-	5,430	-	420
Change in trade and other receivables	(5,127)	8	(3,155)	944	13
Change in inventory	(40)	-	(169)	-	(164)
Change in trade payables	8,602	1,406	6,648	(397)	8,303
Change in accruals	8,180	226	9,780	644	(4,555)
Share-based payments expenses	(456)	-	7,488	-	216
Interest received	(20)	0	(27)	-	(2)
Interest paid	275	41	466	111	261
<b>Cashflow from operating activities</b>	<b>(3,841)</b>	<b>(4,511)</b>	<b>(12,879)</b>	<b>(12,217)</b>	<b>(26,726)</b>
<b>Amounts in NOK thousand</b>	<b>2Q 2021</b>	<b>2Q 2020</b>	<b>1H 2021</b>	<b>1H 2020</b>	<b>FY 2020</b>
<b>Cash flows from investing activities</b>					
Payment for investment company	-	-	(1,484)	-	-
Payment for property, plant and equipment	(454)	-	(725)	(94)	(1,304)
Payment for intangible assets	(17,580)	(4,321)	(28,680)	(5,004)	(16,317)
<b>Cashflow from investing activities</b>	<b>(18,034)</b>	<b>(4,321)</b>	<b>(30,889)</b>	<b>(5,098)</b>	<b>(17,621)</b>
<b>Cash flows from financing activities</b>					
Repayment of other debt (Non-current / Current)	409	-	(256)	(2,089)	(2,089)
Interest received	20	(0)	27	-	2
Interest paid	(275)	(41)	(466)	(111)	(261)
Capital increase received funds	393	-	9,393	59,548	154,952
<b>Cashflow from financing activities</b>	<b>547</b>	<b>(41)</b>	<b>8,698</b>	<b>57,348</b>	<b>152,604</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(21,329)</b>	<b>(8,873)</b>	<b>(35,070)</b>	<b>40,033</b>	<b>108,257</b>
Cash and cash equivalents in the beginning of period	102,530	56,921	116,272	8,014	8,014
<b>Cash and cash equivalents as of 30 June</b>	<b>81,201</b>	<b>48,048</b>	<b>81,201</b>	<b>48,048</b>	<b>116,272</b>
<i>Of which restricted cash</i>	<i>3,220</i>	<i>372</i>	<i>3,220</i>	<i>372</i>	<i>674</i>

# 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".

Elop's condensed interim financial statements for the first half year of 2021 were authorized for issue by the board of directors on 6 September 2021.

### 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 - H1 2021				
Amounts in NOK thousand	Elop Technology	Simplifai	Elimination	Sum
Total revenue	1,652	7,269	-4,675	4,246
Total operating expenses	30,967	11,350	-4,600	37,717
Operating profit/(loss) (EBIT)	-32,226	-6,600	-75	-38,901
EBITDA	-29,315	-4,081	-75	-33,471
Capitalized development	13,585	12,202	-76	25,711

Segments Q1 2021				
Amounts in NOK thousand	Elop Technology	Simplifai	Elimination	Sum
Total revenue	-	2,874	-580	2,294
Total operating expenses	16,055	5,249	-539	20,765
Operating profit/(loss) (EBIT)	-17,418	-2,984	-41	-20,443
EBITDA	-16,055	-2,375	-41	-18,471
Capitalized development	9,597	5,857	-41	15,413

Segments Q2 2021				
Amounts in NOK thousand	Elop Technology	Simplifai	Elimination	Sum
Total revenue	1,652	4,395	-4,095	1,952
Total operating expenses	14,912	6,101	-4,061	16,952
Operating profit/(loss) (EBIT)	-14,808	-3,616	-34	-18,458
EBITDA	-13,260	-1,706	-34	-15,000
Capitalized development	3,988	6,345	-35	10,298

## Note 3 Revenue

### Disaggregating of revenue:

Amounts in NOK thousand	2Q 2021	2Q 2020	1H 2021	1H 2020	FY 2020
Sales revenue - recognized at point in time	3,389	-	4,246	-	-
<b>Total</b>	<b>3,389</b>	<b>-</b>	<b>4,246</b>	<b>-</b>	<b>-</b>

### Revenue by geography:

Amounts in NOK thousand	2Q 2021	2Q 2020	1H 2021	1H 2020	FY 2020
Norway	3,389	-	4,246	-	-
<b>Total revenue</b>	<b>3,389</b>	<b>-</b>	<b>4,246</b>	<b>-</b>	<b>-</b>

## Note 4 Other operating expenses

Other operating expenses consists of the following:

Amounts in NOK thousand	Q2 2021	Q2 2020	1H 2021	1H 2020	FY 2020
Consultancy expenses	5,027	4,269	7,217	7,703	10,445
Research projects	10,298	43	25,711	872	19,742
Licence and royalty fees	683	32	757	56	282
Short-term leasing and other premises expenses	738	332	1,665	568	981
Capitalised operating expenses	-10,298	-	-25,711	-	(19,450)
Other operating expenses	2,927	521	3,751	1,109	9,016
<b>Total other operating expenses</b>	<b>9,375</b>	<b>5,197</b>	<b>13,390</b>	<b>10,308</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	24,485	-	-	24,485	1,243	25,728
Business combination	36,700	-	121,245	157,945	155	158,100
Innovation grants (SkatteFUNN)	(2,500)	-	-	(2,500)	-	(2,500)
<b>Cost at 30 June 2021</b>	<b>86,860</b>	<b>515</b>	<b>121,245</b>	<b>208,620</b>	<b>2,978</b>	<b>211,598</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	3,594	-	-	3,594	638	4,232
<b>Accumulated at June 2021</b>	<b>3,594</b>	-	-	<b>3,594</b>	<b>851</b>	<b>4,445</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 30 June 2021</b>	<b>83,266</b>	<b>515</b>	<b>121,245</b>	<b>205,026</b>	<b>2,127</b>	<b>207,152</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:

<b>Amounts i NOK thousand</b>	
<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	945
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>27,255</b>
Consideration	148,500
<b>Goodwill</b>	<b>121,245</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 commences. 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.

### Note 9 Events after the balance sheet date

Internal reorganisation of group completed in August 2021. The internal reorganisation has established Elop AS a holding company for the group, with Elop Technology AS and Simplifai AS as operating subsidiaries.