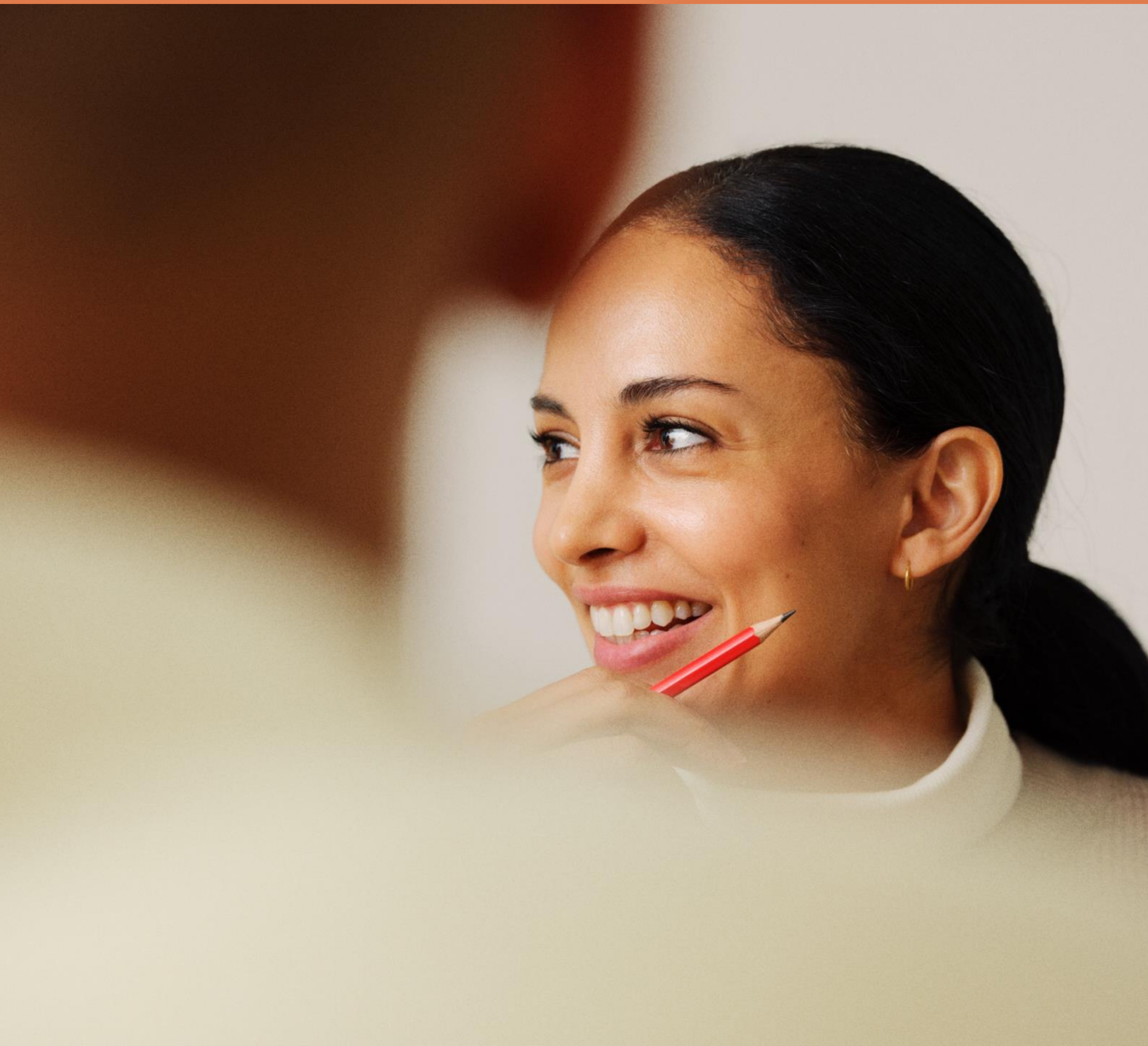
Q2 and H1 2022 Report

Inclusive and productive team collaboration

Huddly camera systems are smart. They understand how people communicate. Using disruptive AI, Huddly camera systems automatically spotlight the point of interest in a room, creating an authentic meeting experience.

Video meetings become more inclusive and cater for new hybrid collaboration standards - saving energy and cost while adding efficiency.



Contents

Key highlights Q2 2022

- **Revenue of NOK 106.6 million (+67% vs Q2'21)**
  Development is driven by increased sales through strategic partnerships

- **Gross margin of 39% (54% in Q2'21)**
  Margin pressure from channel and product mix, and increased component costs

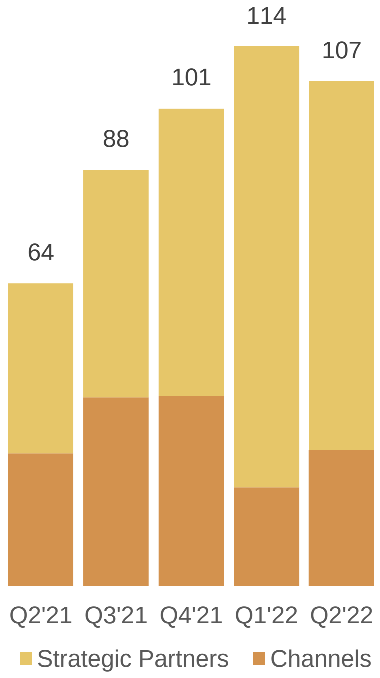
- **Adjusted[1] EBITDA of NOK 12.2 million (-39% vs Q2'21)**
  Increased operational expenditures representing a strengthening organization

- **Order backlog of NOK 196 million (+244% vs Q2'21)**
  Backlog in 2022 stretches beyond the normal range of six months

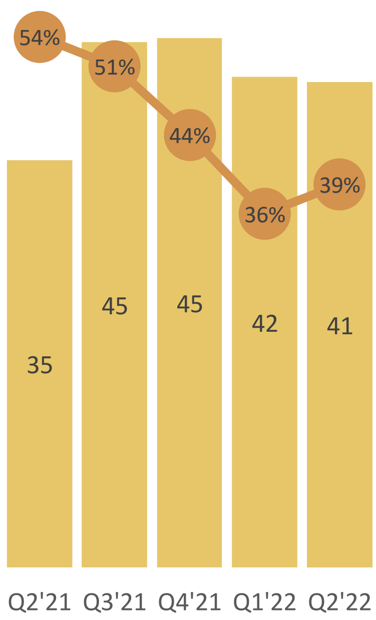
- **Strengthened commercial organization through new Chief Commercial Officer and new VP Sales Americas, starting Q3 2022**

- **Continued strong product innovation with the new software product, Speaker Framing®, to launch in Q4 2022**

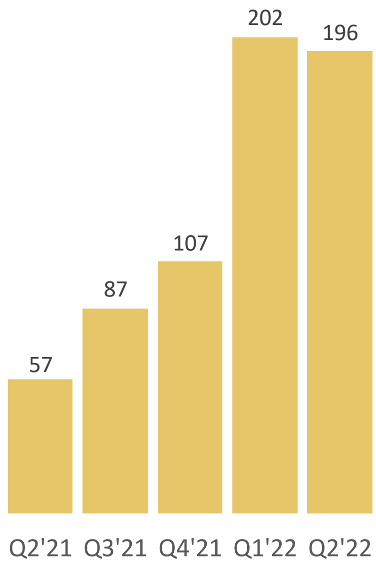
Sales revenue
NOK million



Gross profit/margin
NOK million and %



Order backlog
NOK million



[1] Adjusted EBITDA excluding non-cash option expense, see note 9, page 20, for APM definition

Letter from the CEO

Huddly continued its growth momentum in Q2, delivering 67% higher revenue compared to the second quarter last year. This is a remarkable achievement by the entrepreneurial team at Huddly and our partners - in a market affected by value chain disruptions and changes in customer behaviour.

While revenue growth was relatively strong, we are not satisfied with the margin development, even though the second quarter margin of 39% was a slight improvement over the previous quarter. Gross margins continue to be affected by supply chain issues and cost inflation, although the main explanation for the year-on-year margin decline lies in changes in the sales mix between strategic partners and our higher-margin channels. Sales through strategic partners more than doubled year-on-year, whereas channel sales increased by a marginal 3%. This was well below our expectations, and it is our top priority going forward to increase sales in the channel business.

We have taken action to improve performance, and while Huddly shall remain an innovative design and product-led company driven by a strong entrepreneurial spirit, we are building a significantly stronger commercial layer surrounding this core.

In July, we strengthened the sales organization with the recruitment of Mats Bergqvist as new head of sales in the US market. In August, Daniel Johannsson joined the team as Chief Commercial Officer. Daniel brings valuable experience as a sales executive from multinational companies, including Tandberg and Cisco where he built new markets and accelerated performance as a senior regional executive. He has lived and operated in Asia, the Americas, and EMEA.

I joined the Huddly team only some six months ago, with our CFO Ragnar Kjos joining some three months ago, and with the recent hires we are building a strong management team for the future, effective ultimo Q3.

We expect the organizational changes to prepare us for future growth, although the full effect will come from combining a stronger commercial organization with the launch of new and innovative products and software solutions. As you will see below in the chapter on operational performance, we are broadening the product portfolio, making progress with the monetization of our software solutions, and looking forward to introducing the new and innovative AI director multi camera system ‘Huddly Studio’.

From a market and macro perspective, we remain confident that the hybrid workplace is evolving as a strong trend, and that this will fuel enterprise investments as companies are beginning to return to office. With the current energy crisis and rising inflation, we also believe corporates will seek to reduce travel to save energy, cut costs and add efficiency. This should also support investments in videoconferencing and better camera systems.

However, inflationary pressures and increasing interest rates have casted doubts about global economic growth and negatively affected the sentiment for both consumer spending and corporate capital expenditures. This adds uncertainty with regards to our distributors’ inventory levels and the timing of their purchases. We are responding to increased uncertainty by adjusting our cost budgets and by holding back on recruitment after a year-and-a-half of strong growth.

Cost inflation is also expected to continue to affect our upstream value chain, although we are getting used to adapting to rapid changes in the availability and pricing of our input factors. We have initiated supply chain improvement plans and see signs of stabilization and improvement in commodity prices. We plan for further price adjustments to compensate for any cost increase.

We enter the second half of the year as sober optimists, with plans to strengthen both the product portfolio and our sales and marketing organization. However, we do not expect to see improvements before the end of this year.

Q2 and H1 2022 review

Revenues reached NOK 107 million in the second quarter and NOK 221 million for the first half 2022, corresponding to a year-on-year growth of 67% and 49% respectively. Gross profit increased by a more modest 19% to NOK 41 million in the second quarter and 6% to NOK 83 million in the first half 2022. The revenue growth primarily reflects higher strategic partner sales, and it is a top commercial priority to revive growth in higher-margin channel sales with a strengthened commercial organization.

Operational review

Huddly strengthened its leading hardware platform further with the introduction of the S1 conference camera in the second quarter. Using a 4K sensor and wide-angle lens, the S1 ensures that everyone is seen, with Genius Framing® and InSights Analytics® offering AI-powered video experiences.

In February, Alexander Woxen started in his position as CEO, and in April Ragnar Kjos started as CFO.

Continued supply chain constraints

Manufacturing processes and supply chains remain under pressure, with purchase price variances (PPVs) negatively impacting the gross margin.

Gross margin has been negatively affected by changes in channel and product mix. Almost all growth over the past year has come as a result of sales through strategic partners more than doubling to NOK 78 million, whereas higher-margin channel sales were more or less unchanged at NOK 29 million.

Strengthening commercial efforts

The company is working to direct its commercial efforts towards higher-margin products and channels and has strengthened the commercial organization with a new Chief Commercial Officer (CCO) starting in August and a new VP Sales Americas, starting in July.

The new CCO Johansson brings more than 20 years' of relevant international sales leadership experience from companies such as Tandberg, Cisco, Avaya, Conax, Peak Ace, and Heroiks, and will start in his new position on August 15, 2022.

Software-led product innovation

Huddly continues to push the limits of its software technology to make it easier for working teams to communicate and collaborate in a hybrid work environment.

Successful monetization of the innovative software solutions will be crucial to building strategic value and establishing a more robust margin position in the future. As the first step in this monetization strategy, the company expects to deploy Speaker Framing® in the marketplace in Q4.

Speaker Framing® is a powerful new AI feature designed to make meetings feel immersive and inclusive. Leveraging the latest advances in our smart camera technology, it facilitates conversations that feel as natural and engaging as those you have in person.

Huddly is closing in on another important milestone with the upcoming introduction of the AI director multi camera system, 'Huddly Studio', after almost three years of work. This solution will transform currently static video environments into dynamic and natural meeting environments, which fits very well with how the hybrid workplace market is evolving. The company is experiencing significant market interest in 'Huddly Studio' and will use the second half of the year for tech demonstrations. 'Huddly Studio' is expected to become commercially available and start generating revenue in 2023, complementing Huddly's IQ, S1, and L1 product solutions.

Financial review

Summary of result in NOK million (unaudited)	**Q2 2022**	Q2 2021	Change	**H1 2022**	H1 2021	Change
Revenue	106.6	64.0	67%	220.7	148.1	49%
Gross profit	41.1	34.5	19%	82.7	78.3	6%
Gross margin	39%	54%		37%	53%	
Adjusted EBITDA	12.2	20.2		27.1	50.3	
EBITDA	9.4	22.7		19.4	-220.4	
Operating profit (EBIT)	-11.5	7.8		-21.3	-248.6	
Net financials	10.4	0.2		8.8	-0.9	
Profit/loss for the period	-1.1	7.9		-12.5	-249.6	

Profit and loss

Total revenue in the second quarter 2022 amounted to NOK 106.6 million, a growth of 67% compared to the same quarter last year. The growth was largely driven by strategic partners which saw more than a doubling year-on-year, whereas revenue generated in the channels was virtually flat year-on-year. Strategic partners stand for 73% of the revenue in Q2 2022, up from 56% in Q2 2021, with channels revenue declining to 27% from 44% in Q2 2021.

Gross profit in the second quarter was NOK 41.1 million compared to NOK 34.5 million in the same period last year, representing gross margins of 39% and 54% respectively. The three main factors for the negative development are channel mix, product mix, and increased component costs.

EBITDA for the second quarter was NOK 9.4 million, compared to NOK 22.7 million in the same period last year. Operating expenditures increased to NOK 31.7 million from NOK 11.8 million in the same quarter last year, in large representing increased salary and personnel expenses. Adjusted EBITDA came in at NOK 12.2 million, excluding non-cash option expenses of NOK 2.8 million.

Operating profit (EBIT) was negative NOK 11.5 million, compared to a positive NOK 7.8 million in the second quarter 2021. Depreciation and amortization increased from NOK 14.9 million to NOK 20.9 million in the respective quarters due to increased investments in R&D over the period.

Net financials amounted to NOK 10.4 million, compared to NOK 0.2 million in the same period last year. The change reflects currency gains in the period.

The second quarter 2022 ended with a net loss of NOK 1.1 million, compared to a net profit of NOK 7.9 million in the same period last year.

For the first half year 2022 revenue amounted to NOK 220.7 million (148.1), with a gross profit of NOK 82.7 million (78.3) and a gross margin of 37%. EBITDA for the first half 2022 was NOK 19.4 million (-220.4), and operating loss was NOK 21.3 million (-248.6). With net financials of NOK 8.8 million (-0.9) the loss for the period was NOK 12.5 million (-249.6).

Cash flow

Cash flow from operating activities was a negative NOK 1.0 million in Q2 2022 compared to NOK 5.0 million in Q2 2021. The change was primarily driven by the result for the period, and changes in provisions and working capital.

Cash outflow from investing activities was NOK 22.9 million for Q2 2022, compared to NOK 16.1 million in Q2 2021. The increase was primarily due to higher capitalized research and development expenses representing NOK 21.2 million in Q2 2022 and NOK 15.0 million in Q2 2021, and increased investment in right-of-use assets and equipment related to new office premises.

There was no cash flow from financing activities in Q2 2022 or Q2 2021.

For the first half 2022 cash flow from operating activities was positive NOK 27.4 million (15.2). Cash flow from investing activities was a negative NOK 67.2 million (34.0) and cash flow from financing activities a negative NOK 40.5 million (282.8).

The ending cash balance on June 30 2022 was NOK 257.0 million, a reduction of NOK 24.0 million in Q2 2022 and NOK 80.3 million in the first half 2022.

Financial position

Intangible assets closed at NOK 143.2 million at the end June 2022, an increase of NOK 51.0 million from NOK 92.2 million at end June 2021 primarily due to higher capitalized research and development expenses.

Tangible assets increased by NOK 17.6 million from NOK 7.2 million in Q2 2021 to NOK 24.8 million at end June 2022 related to recognition of right-of-use assets and investments in equipment.

Cash and cash equivalents closed at NOK 257.0 million at end June 2022, a decrease of NOK 133.4 million from NOK 390.3 million at end June 2021.

Total working capital at end June 2022 was negative NOK 8.9 million, a decrease of NOK 24.5 million, including translation differences, compared to end June 2021 of NOK 15.6 million.

Inventory increased by NOK 29.3 million to NOK 44.6 million at end June 2022, compared to end June 2021 of NOK 15.4 million following increased investments in the supply chain to further limit component and manufacturing risk.

Trade receivables closed at NOK 89.6 million at end June 2022, an increase of NOK 33.6 million compared to end June 2021 of NOK 56.0 million.

Other receivables closed at NOK 24.6 million at end June 2022, a decrease of NOK 1.0 million compared to end June 2021 of NOK 25.5 million and comprise of VAT receivable, governmental research and development grant, deposits on office premises, and other prepaid expenses.

Trade payables closed at NOK 60.3 million at end June 2022, an increase of NOK 16.8 million compared to end June 2021 of NOK 43.5 million.

Other current liabilities closed at NOK 107.4 million at end June 2022, an increase of NOK 69.6 million compared to end June 2021 of NOK 37.8 million, and is comprised of accrued social security tax, accrued vacation pay, accrued social security tax on option expense, accrued settlement of synthetic option claim inclusive of associated social taxes of NOK 52.4 million, office lease liabilities and other accruals.

Group equity amounted to NOK 409.0 million at end June 2022, a decrease of NOK 87.6 million compared to NOK 496.7 million at end June 2021. The equity ratio was 70% at end June 2022, a decrease from 85% at end June 2021.

Non-current liabilities of NOK 7.0 million at end June 2022 includes product warranty accrual and long-term lease liability recognition.

The group had no long-term interest-bearing debt at end June 2022.

Risks and uncertainties

Huddly has identified operational, market and financial risks. Some of these risks are outside of Huddly's control including geopolitical, market and specific cyclical risks.

Operational Risks

Huddly is dependent on partners, suppliers, and other third parties to supply certain products and services. Globally the economy is facing an exceptional degree of uncertainty with an increased risk of a global recession. This could affect the supply of energy and raw materials, and directly or indirectly impact Huddly's operations.

The US economy shrank for a second consecutive quarter in Q2, with increasing interest rates to tackle inflation. The US consumer confidence fell in July to its lowest level since February 2021.

Increased recession risks emerge from the energy crisis triggered by Russia's invasion of Ukraine and the subsequent curb of gas supplies to the eurozone. The eurozone is facing a cost-of-living crisis with inflation rising to record highs. Consumer and business confidence is at levels last time seen at the start of the pandemic.

The Chinese economy and its outlook also face risk, in particular regarding covid. Whether the hard lockdowns will come back or not is unpredictable.

Tensions over Taiwan impose risk of disrupting global supply chains, with Taiwan possessing the vast majority of the world's chip production capacity and half of the world's container fleet passing through the Taiwan Strait this year.

The above-mentioned risks and uncertainties could ultimately materialize in cost increases. Typically, there are time delays between cost inflation and pricing actions, putting pressure on margins.

Another potential impact could be temporary production shutdowns, both from supply chain disruptions, but also from potential restrictions on production capacity due to energy deficiencies. This could ultimately delay the delivery of products to customers.

To mitigate the potential for shortages, Huddly has multiple sources of components with direct contact with sole source partners and proactively buffer stock on key components. Huddly has dual manufacturing in Norway and Poland to secure resilient and continuous production of its cameras. Finally, Huddly is continuously assessing price levels and engaging in commercial dialogues with its customers.

Market Risks

Huddly is exposed to the overall demand for video conferencing equipment. In isolation, a potential global recession and low business confidence could reduce demand, and thereby Huddly's revenues and growth. However, change in business models and ways of working (e.g. hybrid work and more online meetings in lieu of business travel) could also impact demand irrespective, or potentially because of, a potential global recession.

Adding to this, increasing energy prices and reduced access to energy may result in recommendations to reduce travel, which potentially could lead to increased demand for video conferencing equipment.

Huddly has two main go-to-market models; a strategic partner model and a channel model.

The strategic partner model bundles Huddly's products and services with the partner's own products and services for onwards sales to its own customers. Such onwards sales through the strategic partners constitute a significant part of Huddly's current sales, and the demand for the partner products could impact Huddly's profitability. However, current strategic partners are well reputed, and the relations are actively managed.

The channel model constitutes of sales through channel partners. The management is continuously assessing the performance of the channel business and actively seeking and pursuing improvement initiatives.

Huddly's strategic value is strongly linked to its ability to innovate, monetize on the innovations, and protect the innovations. Huddly has recently hired an Intellectual Property Manager and is actively monitoring the market and its competitors for infringements.

Financial Risks

Huddly is exposed to foreign exchange risks, as sales revenues are largely nominated in USD while part of the costs, primarily the Operating expenses, are nominated in NOK. As the direct costs are mainly nominated in USD, it forms a natural currency hedge, mitigating a large part of the exposure. At the moment, Huddly is not actively engaging in currency hedging.

Huddly holds no long-term interest-bearing debt, and the direct risk associated with interest rate fluctuations is considered to be low.

Huddly is exposed to numerous countries' legal and statutory requirements, and increasingly so as the company grows. The corporate structure is continuously under assessment to best serve the business and regulatory requirements.

Outlook

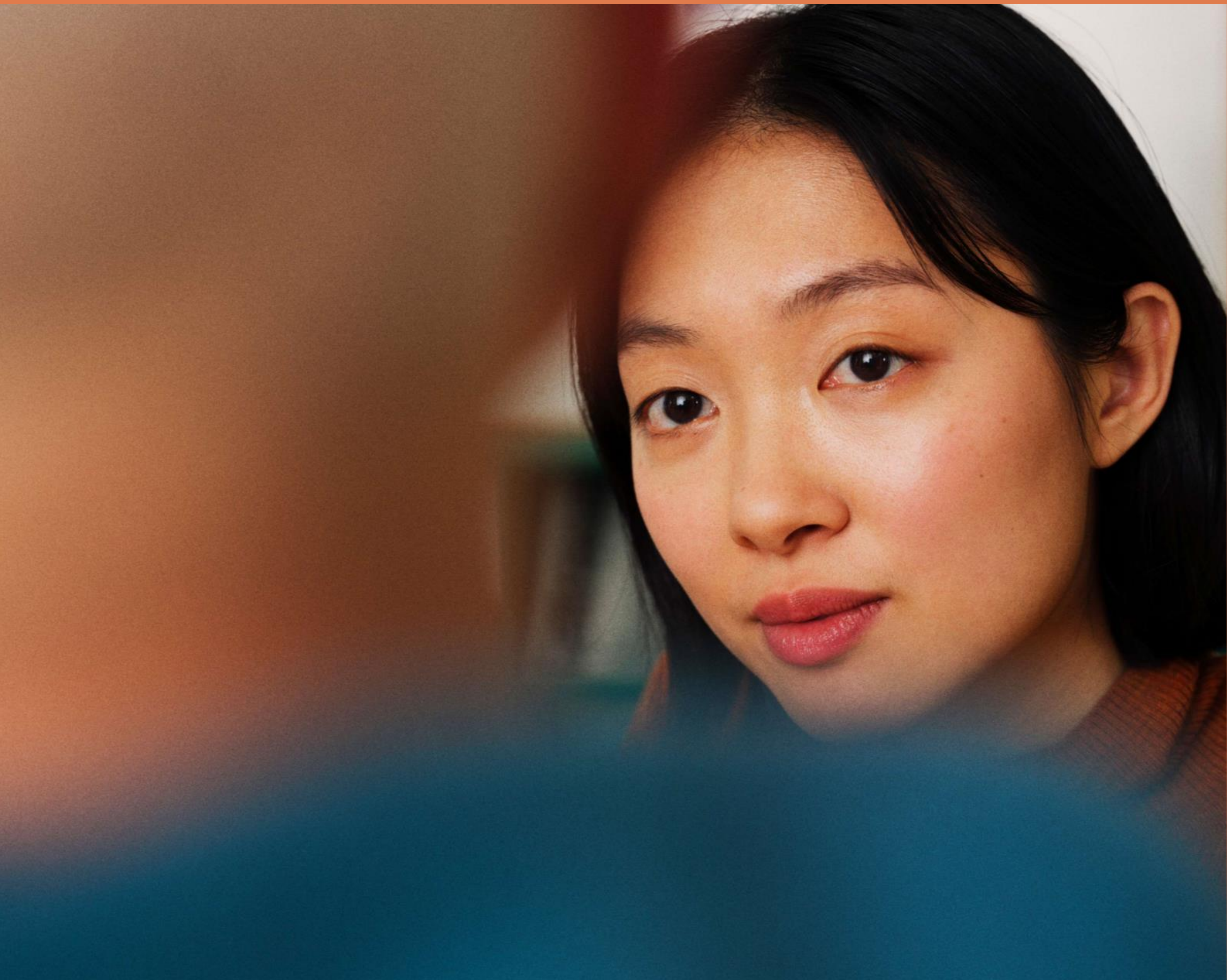
Huddly remains confident that the hybrid workplace and flexible work is evolving as a strong trend as companies are returning to the office. We see that corporations are continuing to limit business travel, both to save energy and cost but also to increase efficiency. This should support further investments into video-based collaboration solutions.

The company will meet this demand with additions to its innovative product portfolio. Huddly will begin to monetize its software solutions with the introduction of Speaker Framing® towards the end of the year.

The company recognizes the increased uncertainty with regards to inflationary pressures, higher interest rates, weaker enterprise investment sentiment, supply chain stability and global recession fears.

Highlighting these uncertainties, and basing forecasts on current exchange rates, the company is guiding for full-year revenue in the low-end of the NOK 450-550 million revenue range the company outlined earlier in the year.

Gross margins have been negatively affected by higher component prices, product mix, and relatively higher sales through strategic partners. The gross margin for the first half year was 37%, and the company believes the gross margin for the full year will fall in the low-end of the 35%-50% range outlined earlier in the year.



Responsibility Statement

From the Board of Directors and CEO of Huddly AS

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2022 has been prepared in accordance with IAS 34 – Interim Financial Reporting and gives a true and fair view of the (Company's and) group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties' transactions.

Oslo, August 17, 2022

Graham Spencer Williams
Chair

Jostein Devold
Board member

Per Kåre Haug Krogstad
Board Member

Kristian Kolberg
Board Member

Alexander Woxen
CEO

Financial statements (IFRS)

Interim consolidated statement of comprehensive income

Interim consolidated statement of comprehensive income (Unaudited)						
Thousands NOK	Notes	Q2 2022	Q2 2021	YTD June 2022	YTD June 2021	2021
Revenue	3	106,612	63,981	220,675	148,059	336,929
Cost of goods sold		(65,467)	(29,461)	(137,967)	(69,717)	(169,209)
Gross margin		**41,145**	**34,520**	**82,708**	**78,342**	**167,720**
Operational expenditures	4	(31,723)	(11,862)	(63,328)	(298,706)	(435,106)
EBITDA		**9,422**	**22,658**	**19,380**	**(220,365)**	**(267,386)**
Depreciation and Amortization		(20,934)	(14,907)	(40,683)	(28,257)	(63,975)
EBIT		**(11,513)**	**7,751**	**(21,303)**	**(248,621)**	**(331,361)**
Net finance		10,449	171	8,757	(948)	(115)
Tax income/(expense)		-	-	-	-	18,365
Net Income/(loss)		**(1,064)**	**7,922**	**(12,547)**	**(249,569)**	**(313,111)**
Gross margin %		**39%**	**54%**	**37%**	**53%**	**50%**
Earnings per share						
Basic earnings per share		(0.00)	0.04	(0.06)	(1.15)	1.45
Fully diluted earnings per share		(0.00)	0.03	(0.05)	(0.99)	1.30

Adjusted interim consolidated statement of comprehensive income excluding option expense

Adjusted interim consolidated statement of comprehensive income (Unaudited)						
Thousands NOK	Notes	Q2 2022	Q2 2021	YTD June 2022	YTD June 2021	2021
Revenue	3	106,612	63,981	220,675	148,059	336,929
Cost of goods sold		(65,467)	(29,461)	(137,967)	(69,717)	(169,209)
Gross margin		**41,145**	**34,520**	**82,708**	**78,342**	**167,720**
Operational expenditures	4	(28,915)	(14,357)	(55,593)	(28,001)	(68,110)
EBITDA		**12,230**	**20,163**	**27,115**	**50,341**	**99,610**
Depreciation and Amortization		(20,934)	(14,907)	(40,683)	(28,257)	(63,975)
EBIT		**(8,705)**	**5,256**	**(13,567)**	**22,084**	**35,635**
Gross margin %		**39%**	**54%**	**37%**	**53%**	**50%**

Interim consolidated statement of financial position

Interim consolidated statement of financial position (Unaudited) Thousands NOK	Notes	**At 30 June 2022**	**At 31 Dec 2021**	**At 30 June 2021**
ASSETS				
Intangible assets		143,216	122,778	92,212
Tangible assets		24,767	18,716	7,197
Total non-current assets		**167,983**	**141,494**	**99,409**
Inventory		44,650	30,728	15,386
Trade receivables		89,560	97,374	55,978
Other receivables		24,567	29,513	25,520
Cash and cash equivalents	5	256,967	337,276	390,327
Total current assets		**415,745**	**494,891**	**487,211**
Total assets		**583,727**	**636,385**	**586,619**
				0
EQUITY AND LIABILITIES				0
Total equity	6, 7	**409,021**	**446,047**	**496,669**
Total non-current liabilities		**7,041**	**32,132**	**8,675**
Trade payables		60,256	70,345	43,464
Other current liabilities		107,409	87,861	37,810
Total current liabilities		**167,665**	**158,206**	**81,275**
Total equity and liabilities		**583,727**	**636,385**	**586,619**

Interim consolidated statement of changes in equity

Interim consolidated statement of changes in equity (unaudited) Thousands NOK	Notes	**Issued capital**	**Share premium**	**Other equity**	**FX difference**	**Retained earnings**	**Total equity**
Balance at 1 Jan 2021		**120**	**230,502**	**11,591**	**684**	**(26,589)**	**216,307**
Issue of share capital		16	277,783				
Share-based payment to employees				261,891			
Share repurchase				4,990			
Resale of own shares							
Result for the period						(313,111)	
Foreign exchange differences					(1,830)		
Balance at 31 Dec 2021		**135**	**508,285**	**278,472**	**(1,146)**	**(339,700)**	**446,047**

Interim consolidated statement of changes in equity (unaudited) Thousands NOK	Notes	**Issued capital**	**Share premium**	**Other equity**	**FX difference**	**Retained earnings**	**Total equity**
Balance at 1 Jan 2022		**135**	**508,285**	**278,472**	**(1,146)**	**(339,700)**	**446,047**
Issue of share capital							
Share-based payment to employees	4, 7			16,383			
Share repurchase	6, 7		(40,157)	(329)			
Resale of own shares							
Result for the period						(12,547)	
Foreign exchange differences					(376)		
Balance at 30 June 2022		**135**	**468,128**	**294,526**	**(1,521)**	**(352,247)**	**409,021**

Interim consolidated statement of cashflow

Interim consolidated statement of cash flow (Unaudited) Thousands NOK	Notes	Q2 2022	Q2 2021	YTD June 2022	YTD June 2021	2021
Cashflow from operations						
Result before tax		(1,064)	7,922	(12,547)	(249,569)	(331,475)
Share-based payments to employees	4, 7	5,112	10,540	16,383	247,352	261,891
Depreciation and amortization		20,934	14,907	40,683	28,257	63,975
Changes in provisions		(30,049)	(245)	(25,092)	(280)	23,177
Changes in working capital		4,050	(28,135)	7,922	(10,578)	4,002
Net change in cash from operations		**(1,017)**	**4,989**	**27,350**	**15,182**	**21,570**
Cashflow from investments						
Changes in capitalized assets		(21,242)	(15,011)	(51,405)	(32,803)	(76,074)
Purchase of tangible assets		(1,695)	(1,106)	(15,767)	(1,211)	(17,379)
Net change in cash from investments		**(22,937)**	**(16,118)**	**(67,172)**	**(34,015)**	**(93,453)**
Cashflow from financing						
Net proceeds own shares	7	-	-	(40,157)	4,990	4,990
Receipt of issued capital	7	-	-	(329)	277,799	277,799
Net change in cash from financing		**-**	**-**	**(40,486)**	**282,789**	**282,789**
Net change in Cash		**(23,954)**	**(11,128)**	**(80,308)**	**263,956**	**210,905**
Beginning balance Cash		280,921	401,455	337,276	126,371	126,371
End balance Cash		**256,967**	**390,327**	**256,967**	**390,327**	**337,276**

Notes to the financial statements

1. General information

Huddly AS (the "Company") and its subsidiary Huddly Inc. (the "Group" or "Huddly") uses its technology to create tools for team collaboration. Huddly combines expertise across the fields of design, hardware, software, and artificial intelligence. Huddly's smart cameras are designed to make it easier and better for people to communicate with each other. Huddly's collaboration with industry-leading partners enable high-quality video experiences on all major collaboration platforms.

Huddly Inc. is included in the consolidated financial statements as the control criteria in IFRS 10 are met.

Huddly AS is a public limited liability Company incorporated and domiciled in Norway. The address of its registered office is Haakon VIIs Gate 5, 0161 Oslo, Norway. Huddly AS is listed on Euronext Growth.

The consolidated condensed interim financial statements comprise of the financial statements to the parent company and its subsidiary at end June 2022, authorized for issue by the board of directors on 17 August 2022.

2. Accounting policies

The interim consolidated financial statements for the six-month period ending 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for 2021. The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2021. The group has not adopted any standard, interpretation or amendment that has been issued but is not yet mandatory.

The presentation currency of the Group is NOK which corresponds to the functional currency of the main entity in the Group.

All numbers are in NOK thousands unless otherwise stated. The condensed interim financial statements are unaudited.

3. Revenue and Segment information

The market for Huddly's smart cameras is global. The Management team has therefore determined the operating segments on this basis. The Group considers the business as one operational segment.

The Group's operating profit arises from activities in this segment which is the only revenue generating segment across the entire operation irrespective of geographic location.

Performance is measured by the Management team based on the operating segment's revenue and profitability on a global basis.

The Management team allocates resources in assessing performance as well as making strategic decisions. This is consistent with the internal reporting submitted to the chief operating decision maker, as defined by the Management team.

Other information is measured in a manner consistent with that in the Annual Report for 2021. Principles of revenue recognition are stated in the accounting principles to the Annual Report for 2021.

Revenue by customer segment

In the following table, revenue is disaggregated by customer segment, as defined by the Management team.

Revenue by customer segment Thousands NOK	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Strategic partners %	73%	82%	60%	55%	56%	73%
Channel partners %	27%	18%	40%	45%	44%	27%
Total Revenue	**106,612**	**114,064**	**100,938**	**87,932**	**63,981**	**84,078**
Strategic partners	77,817	93,251	60,752	48,107	35,951	61,551
Channel partners	28,795	20,812	40,186	39,824	28,031	22,527
Total Revenue	**106,612**	**114,064**	**100,938**	**87,932**	**63,981**	**84,078**

4. Operational expenses and option programs

The Company's only active incentive program is the 2021 Incentive Plan implemented in January 2021, directed at employees and directors. Participants are granted options to subscribe for Shares in the Company based on a pre-determined strike price. The options are as a general rule subject to a three-year vesting schedule. Further, the options may only be exercised in a coordinated process lead by the Company's board of directors. This implies that the participant may only exercise a number of options each year equal to 20 % of its total number of options.

The Company has historically issued a limited number of options to employees and directors under the 2017 Incentive Plan. These options are subject to a three-year vesting schedule, and the strike price payable when exercising the options is set to NOK 0.000625 per option.

In Q2 2022, Operational expenses include TNOK 2,808 in expenses related to the option programs after IFRS 2, thereof TNOK 5,112 accrued versus Other equity (valuation of vested 2021 Incentive Plan during Q2 2022) and TNOK -2,304 accrued versus Other current liabilities (accrued social security tax on unexercised options measured at end June 2022 market price per share).

At end June 2022 remaining option expenses for outstanding options are TNOK 20,244 under the 2021 plan and zero under the 2017 plan, to be booked versus Other Equity in future quarters. Adjusted statement of comprehensive income excludes option expenses after IFRS 2, as described in this note.

It has been granted 500,000 options under the 2021 options program and forfeited 173,335 options during Q2 2022. See table below for outstanding instruments as of end June 2022.

	2021 plan	2017 plan	Synthetic options
Options granted, outstanding 31.12.21	18,992,588	266,672	5,871,111
Options granted	7,429,000	-	-
Options exercised	-	-	-
Options forfeited	(263,335)	-	-
Options granted, outstanding 30.06.22	**26,158,253**	**266,672**	**5,871,111**
Percent of outstanding shares	**12.1%**	**0.1%**	**2.7%**

5. Cash and cash equivalents

Restricted cash at end June 2022 was TNOK 3,834, compared to TNOK 2,411 at end June 2021. This relates to advance payment of social security tax and deposit for office premises.

Total closing cash and cash equivalents at end June 2022 was TNOK 256,967 compared to TNOK 390,327 at end June 2021, a decrease of TNOK 133,359.

Cash and cash equivalents Thousands NOK	**At 30 June 2022**	**At 31 Dec 2021**	**At 30 June 2021**
Cash and cash equivalents	256,967	337,276	390,327
Ending cash and equivalents	**256,967**	**337,276**	**390,327**

6. Shareholders and share capital

The Company has 216,328,048 outstanding shares, with par value NOK 0.000625, which give a total share capital of NOK 135,205.

The Company has one share class, common shares, which all have the same voting and dividend rights.

The Company has 1,745 shareholders at end June 2022. Below are the 20 largest shareholders.

Shareholder name	Number of shares	Ownership
CLEARSTREAM BANKING S.A.	20,027,384	9.3%
GJEH Pty Ltd ATF GJEH Family Trust	14,324,839	6.6%
MERTOUN CAPITAL AS	13,845,471	6.4%
STAFF HOLDING AS	9,066,000	4.2%
SOM HOLDING AS	7,970,928	3.7%
MP PENSJON PK	6,993,959	3.2%
ATF G+J Williams Super Fund	6,858,272	3.2%
State Street Bank and Trust Comp	6,712,511	3.1%
KOLBERG MOTORS AS	6,628,000	3.1%
PORTIA AS	6,400,000	3.0%
ARCTIC FUNDS PLC	5,945,941	2.7%
HUDDLY AS	5,300,016	2.4%
HØYLANDET BYGGUTLEIE AS	5,041,264	2.3%
SKIPS AS TUDOR	4,950,000	2.3%
BJØBERG EIENDOM AS	4,042,080	1.9%
MULTIPLIKATOR AS	3,915,000	1.8%
MI CHELVERTON EUROPEAN SELECT FUND	3,500,000	1.6%
KORINVEST AS	3,216,832	1.5%
SALAMANDER HOLDING AS	2,627,300	1.2%
HPA HOLDING AS	2,560,000	1.2%
All others	76,402,251	35.3%
Total	**216,328,048**	**100.0%**

7. Equity

Share repurchase

In HY1 2022, the board of directors resolved a programme for repurchase of own shares as authorized from the Extraordinary General Meeting held on 29 January 2021.

In accordance with the company's share repurchase program, the company repurchased a total of 5,000,000 own shares for a value of NOK 40,486,026. Following completion of the program at end March, the company owns a total of 5,300,016 shares (300,016 at end December 2021) as treasury shares, corresponding to 2.45 % (0.14 % at end December 2021) of the share capital in Huddly AS.

There have been no other changes in share capital, share premium and other equity in HY1 2022.

Summary of statement of changes in share capital and share premium

Summary of statement of changes in share capital and share premium			
NOK	Share Capital	Share premium	Other equity
Balance at 1 Jan 2022	**135,205**	**508,285,175**	**278,472,493**
Share-based payments to employees	-	-	16,382,655
Repurchase of own shares	-	(40,156,891)	(329,135)
Total change in period	**-**	**(40,156,891)**	**16,053,520**
Balance at 30 June 2022	**135,205**	**468,128,284**	**294,526,013**

Other equity

Regarding the valuation of the options exercised, IFRS 2 states that where an award is modified, the classification changes from cash-settled to equity-settled, the entity should then take the amount recognized as a liability, up to the modification date, and immediately reclassify it to equity giving the NOK value of TNOK 16,383 at end June 2022, as included in the consolidated statement of changes in equity.

The remaining cost on options granted, not vested, will be amortized over the vesting period in future accounting periods and is based on the award's fair value. Further details on all share-based payments to employees can be found in Note 4. Operational expenses and option programs.

8. Related parties

For detailed information on related party transactions, please refer to Note 12 (Overview of subsidiary) in the Annual Report to Huddly AS for 2021. There have been no other significant transactions with related parties for the six-month period ending on 30 June 2022. All transactions with related parties are considered priced on an arm's length basis.

9. Alternative performance measures

The following alternative performance measures (APMs) are used in addition and to provide enhanced insight into the Groups operations, financing, and prospects in this report.

Definition of Huddly's financial APM's

Gross profit: The company's net sales revenue less its cost of goods sold. The net sales figure is simply gross revenue, less the credit returns, allowances, and or discounts.

EBITDA: Earnings for the period before net financial items, income tax expense, depreciation, and amortization as a measure of the company's operating performance. EBITDA is calculated as revenue less expenses (including cost of goods sold) excluding depreciation and amortization, interest, and tax.

EBIT: Earnings before interest and income taxes as an indicator of a company's profitability. EBIT is calculated as revenue less expenses (including cost of goods sold) excluding interest and tax.

Adjusted EBITDA: EBITDA adjusted for non-recurring costs as a measure of profitability from core operations before the impact of capital structure. Adjusted EBITDA is EBITDA less various one-time, irregular, and non-recurring items.

Adjusted EBIT: EBIT adjusted for non-recurring costs as a measure of profitability from core operations before the impact of capital structure. Adjusted EBIT is EBIT less various one-time, irregular, and non-recurring items.

Working capital: The companies operating liquidity and includes inventory, trade and other short-term receivables minus trade payables, other short-term liabilities, and currency translation differences.

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