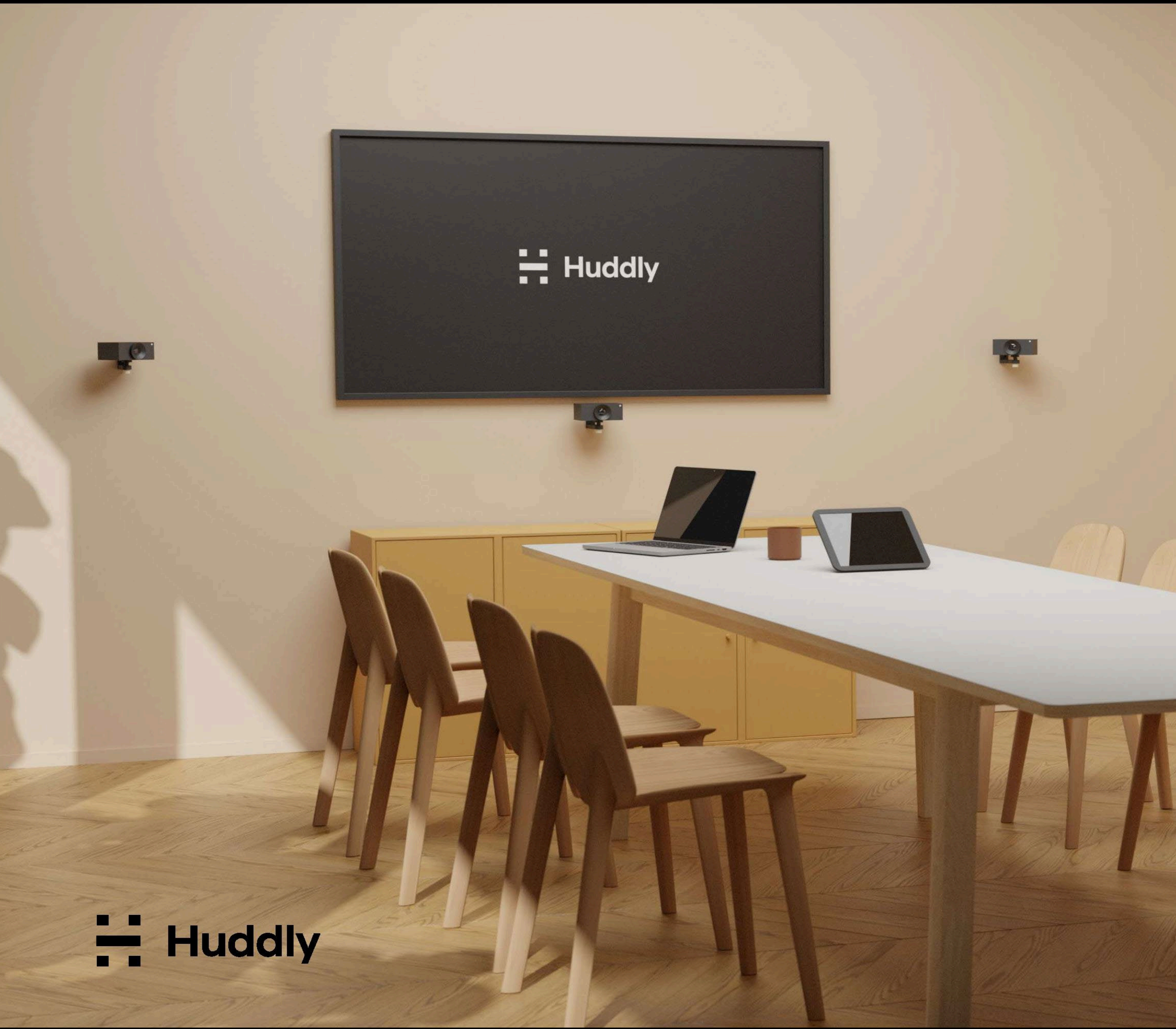
Financial Statements 2022

Huddly Group & Huddly AS



Huddly

Report from the Board of Directors

Annual Summary of Consolidated results for the year ending 31 December 2022

The board of directors present their annual summary of consolidated financial results and board report for Huddly AS ("Huddly" or the "Company") for the year ending 31 December 2022.

About the Company

Founded in Oslo, Norway in 2013, Huddly uses its technology to create tools for team collaboration. Huddly combines expertise across the fields of design, hardware, software, and artificial intelligence. Huddly camera systems are intelligent. 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.

Huddly has its headquarters in Oslo and a subsidiary in Palo Alto, California, USA.

Overview of development and results

Huddly opened the first quarter of the year with a record quarterly revenue of NOK 114 million. During Q1, Huddly L1, a networked state-of-the-art camera for large sized meeting rooms, received two design awards in the quarter: The Design and Architecture Norway - DOGA Award, and the international iF design award. The first quarter represented a major step towards creating customer value through launching new software products, with the introduction of Huddly Speaker Framing, Huddly's built-in AI director which switches between different type of shots, incorporating listener reactions and contextual cues, with deployment date expected in Q4 2022. Alexander Woxen started in the position as CEO 1st of February 2022.

Huddly continued its growth momentum in Q2, delivering revenue of NOK 107 million, which is a growth of 67% year on year. Huddly strengthened its leading hardware platform further with the introduction of Huddly S1, an intelligent networked camera for small to medium meeting rooms, in the second quarter. Ragnar Kjos started as CFO of the company on April 1, 2022.

The third quarter was yet a record revenue quarter, concluding at NOK 118 million, which was a growth of 34% compared to the same quarter last year. At the end of the third quarter, Speaker Framing was launched to the market. In August, Daniel Johannsson joined the team as Chief Commercial Officer, and later in the quarter the company appointed Rosa Stensen as Product Organization Director and part of the company leadership team.

The fourth quarter concluded at NOK 113 million in revenue, which was a 12% growth year on year. During the quarter Huddly demonstrated its innovative capabilities with the launch of the world's first multi-camera system, Huddly Crew, with a built in AI director that brings the expertise of TV and movie production to the video collaboration space. Huddly Crew holds the potential to be a gamechanger for the industry. The Introduction generated significant interest among both SMEs and large enterprises. Launching in the second quarter 2023, the solution will first be made available on Huddly L1. Further, the company took a step forward in the fourth quarter by establishing a higher price point for the L1 camera in a bundle solution with the shipping of the innovative AI 'Speaker Framing' software.

During 2022 the adverse effects from the supply chain disruptions were reduced, and the impact from purchase price variations on gross margin came down from 5-6% in the beginning of the year to 1-3% towards the end of the year.

For the full year, revenue concluded at NOK 452 million and gross margin at 37%. This was within the financial guiding for 2022. The company had a net cash outflow of NOK 153 million, of which a significant part relates to extraordinary cash Items. The company invested NOK 74 million in capitalized R&D cost, and had total investments of NOK 97 million, all of which were financed through operational cash flow and own funds.

At the end of the year, the company had 133 FTEs compared to 103 FTEs at year end 2021, which represents a growth of 29% since end of 2021 and evidences Huddly's commitment to product innovation. The year ended with a healthy backlog and no backorders, and standard lead time for all products.

In 2022, Crestron and Google continued to be strong partners and Huddly is progressing with other strategic accounts. Huddly continued with planned growth activities in Products, Go-To-Market, and support functions.

Results and dividends

The Group had a net loss before tax of TNOK (41,544) in 2022 compared to a net loss before tax of TNOK (323,512) in 2021. Revenue increased by TNOK 114,668 in 2022 to TNOK 451,597. Total equity was TNOK 396,470 in 2022 and TNOK 453,592 in 2021. Total assets were TNOK 637,754 in 2022 and TNOK 699,974 in 2021.

Huddly AS had a net loss before tax of TNOK of (112,728) in 2022 compared to a net loss of TNOK (266,553) in 2021, of which all is allocated to retained earnings. Revenue increased by TNOK 114,758 in 2022 to TNOK 451,597. Total equity was TNOK 384,554 in 2022 and TNOK 513,369 in 2021. Total assets were TNOK 710,638 in 2022 and TNOK 759,473 in 2021.

No dividend payments have been made during 2022 and the directors do not recommend payment of a final dividend for 2022.

Refer to Note 4: Employee share-based compensation in Huddly AS' and Huddly Group's financial statements respectively for further details about option valuation and the synthetic option settlement.

Directors

The directors who served during the year were Graham Spencer Williams, Jostein Devold, Per Kåre Haug Kogstad, and Kristian Kolberg.

Going concern

The financial results for 2022 are complete and assume that Huddly is a going concern. The Board confirms that the annual results are accurate and reflect the Company's assets and liabilities as well as financial position and result.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor are unaware; and
- The director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information; and
- This confirmation is given and should be interpreted with laws, regulations, and accounting standards in accordance with International Financial Reporting Standards valid as of December 31, 2022.

Basis of preparation

The Group and the parent company have in 2022 converted from Simplified International Financial Reporting Standards to International Financial Reporting Standards (IFRS).

The Group has converted to IFRS from Simplified IFRS as of 1 January 2022, with a transition date of 1 January 2021. The consolidated financial statements of Huddly are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), and additional disclosure requirements in the Norwegian Accounting Act as effective of 31 December 2022. The consolidated financial statements have been prepared under the historical cost convention.

All numbers are in NOK thousands unless otherwise stated.

Financial risk factors

Huddly is mainly exposed to the following risks: market risk, credit risk and liquidity risk. The company holds no material debt. The company holds bank deposits mainly in the following currencies: NOK, USD, PLN. The main exposure to foreign currency is derived from accounts payable and accounts receivable in connection with the sale and purchase of goods in foreign currency, in addition to other operating expenses denominated in a foreign currency, such as foreign payroll and services. Finally, the exposure relates to foreign indirect tax receivables exposure.

The Company does not normally use contracts to hedge the foreign exchange exposure. The exposure is largely hedged through receipts and debts being denominated, directly or indirectly, in the same currency (a "natural hedge").

Huddly's credit risk is related to the sale of goods and services on credit. Huddly monitors the outstanding amounts and follow up closely with its strategic and channel partners should amounts become overdue.

Huddly manages liquidity risk by monitoring that the expected future cash from operations and available cash and are adequate to serve the operational and financial obligations. This is done by preparing cash flow forecasts on a 12 month forward rolling basis, and detailed by weekly cash monitoring, based on different sales and cost scenarios. Capital tied up is supervised, focusing on inventory, accounts receivable, and accounts payable.

Huddly's liquidity strategy is to secure sufficient cash, cash equivalents and credit facilities available at any time to finance the operations and investments for the next 12 months.

Excess liquidity sits on Huddly's bank accounts. Huddly holds no credit facilities as of 31 December 2022.

Huddly holds no loan agreements against financial institutions and has no covenants.

The Board's objective is to maintain a healthy capital base to retain the trust of shareholders, creditors, customers, suppliers, and the market to continually develop the company. The Board continuously monitor the capital structure and make appropriate actions when deemed necessary. The ultimate objective of the Board is to ensure Huddly's shareholders over time will gain a competitive return on their investment.

Refer to note 21 for a detailed presentation of risk factors.

Research and development

The Company has in 2022 received a grant from Skattefunn through The Research Council of Norway. The direct research and development costs are capitalized and amortized over three years.

Workplace culture

The Board believes the workplace culture is satisfactory. There have been no accidents or injuries in 2022. The company had a total of 461 days of parental leave during 2022 In Norway, which was split by 225 days of maternity leave and 236 days of paternity leave. The company had a sick leave percentage of 3.3%. The Employee Sounding Board has worked closely with the Administration during the year and the dialogue has been constructive and positive.

Gender and equal opportunity

Huddly has 133 employees as of year-end 2022, 103 men and 30 women, and the Board is composed of four men.

Huddly strives to have a diverse workforce with employees across the world, focusing on diversity and inclusion. Our employee bases consist of approximately 20 different nationalities, different level of education from PhD to self-taught.

Through our values; innovative, quality oriented and collaborative we encourage everyone to be creative and curios, have integrity in all aspects of their day-to-day work (what we say is what we do) and be collaborative. We encourage thinking outside of the box and give room for being different, all voices should be heard in any process.

Our value system is our true north star, strategy and goals change – values persist through forming a unity between colleagues, leaders, shareholders, suppliers, partners and customers. We hold ourselves accountable and will use them when hiring and as a mirror of our daily practice and when making decision.

The value of our diversity and different backgrounds increases the quality of our thinking, and as individuals we are committed to be inclusive, supportive and care for each other – we work better when working together.

As many tech companies we have a challenge when closing the gap between male and female employees – through our People and Culture we work on how to close this gap working putting it on the agenda with our Employee sounding board and management team - gender and background should never be a hindrance for internal and external applicants, being part of the management team or taking on new challenges within the company.

The Board promotes equal opportunity, has reviewed the number of employees and positions, and found no cause to develop additional programs to address equal opportunity.

As per the requirement in the Norwegian Activity Duty for employers (Aktivitets- og redegjørelsesplikten, ARP), Huddly reports the following employee data:

Permanent employees by region, gender and payroll (end of year)

	2022		2021	
Region	**# of employees**	**Payroll ('000 NOK)**	**# of employees**	**Payroll ('000 NOK)**
Norway	**111**	**987,081**	**84**	**957,107**
Female	28	796,571	22	758,364
Male	83	1,051,349	62	1,027,629
Rest of the world	**22**	**1,525,039**	**18**	**1,525,039**
Female	3	987,570	3	796,996
Male	19	1,609,903	15	1,654,279

Part-time employees, turnover, and parental leave

	2022 (per 31.12)			2021 (per 31.12)		
Organization	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Nb. Of employees per employee type						
Permanent employees	102	31	133	77	25	102
Temporarily hired		1	1	0	1	1
Interns	8	1	9	4	0	4
Newly hired						
# of newly hired employees	33	9	42	29	14	43
Employee turnover						
# of employees who have left the company	8	3	11	5	1	6
Parental leave						
# of employees on parental leave	3	3	6	1	1	2

Breakdown of employees and board members by gender
Per year end

	2022			2021		
Organization	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Permanent employees	102	31	133	77	25	102
Board of Directors	4	0	4	4	0	4
Executive level management	8	1	9	6	1	7
Non-executive level management	11	1	12	10	0	10

Breakdown of employees and board members by age
Per year end

	2022			2021		
Organization	**Under 30**	**30-49**	**50+**	**Under 30**	**30-49**	**50+**
Permanent employees	20	98	15	13	77	12
Board of Directors	0	0	4	0	0	4
Executive level management	0	6	3	0	4	3
Non-executive level management	1	9	2	1	7	2

Average age by gender
Per year end

	2022			2021		
Organization	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Permanent employees	40	35	39	41	34	39

The avearge age of employees in Huddly is 39 years in 2022 (39 years in 2021),with the female average age of 35 years and the male average age of 40 years.

Environment and social responsibility

Huddly does not pollute and actively seeks to recycle and minimize electronic waste. The company is working towards its first transparency act reporting due in June 2023. The report will be available at Huddly.com.

Directors and Officers liability insurance

The Directors and management are covered by a standard D&O insurance policy with a liability limit deemed sufficient by the Board in relation to the risk and nature of the business of Huddly.

Events after the balance sheet date

In January 2023 Graham Spencer Williams took over as CEO for Huddly and replaced Alexander Woxen who resigned. At the same time, Mr. Williams stepped down as Chairman and was replaced by Jostein Devold. Further, Ragnar Kjos resigned as CFO for the company in January. In April 2023 Huddly appointed Abhijit Banik as new Chief Financial Officer (CFO).

There have been no other material events after the reporting period that might have a significant effect on these financial statements for 2022.

Auditors

Huddly has appointed PwC as Huddly's auditors for the financial year 2022.

Outlook 2023

The long-term market outlook for collaborative video solutions remains strong. The company nevertheless recognizes that a weaker investment sentiment with inflationary pressures and higher interest rates creates a more uncertain near-term market outlook.

Indirect supply issues and the normalization of supply chains are expected to affect shipment volumes for Huddly’s products in 2023, and the Board has decided not to provide any revenue guidance for 2023 until further notice as the management team and Board is working together to get a better overview.

Adapting to the market outlook, the Board and management will focus on Technology, Revenue, Gross Margin and Profitability.

Huddly will continue to lead with technology innovation as demonstrated with the launch of ‘Huddly Crew’, expand its Strategic Partner model and build the Channels business, and manage costs to address near-term challenges without jeopardizing long-term opportunities. This is expected to establish a solid platform for future profitable growth.

Oslo, 9 May, 2023

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Jostein Devold	**Kristian Kolberg**	**Per Kåre Haug Kogstad**	**Graham Spencer Williams**
Chairman	*Board member*	*Board member*	*CEO*

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Financial Statements 2022

Huddly Group

Huddly

Consolidated Financial Statements

Consolidated statement of profit or loss

Consolidated statement of profit or loss

Amounts in NOK 1,000	**Note**	**2022**	**2021**
Sales of goods	3	451,597	336,929
Total revenue		**451,597**	**336,929**
Cost of goods sold		(284,178)	(169,209)
Gross profit		**167,419**	**167,720**
Employee benefit expenses	4	(111,323)	(423,867)
Other operating expenses	5	(54,456)	(33,940)
Amortization and depreciation	10,11,12	(52,790)	(33,311)
Total operating expenses		(218,569)	(491,117)
Operating profit/(loss)		**(51,150)**	**(323,397)**
Interest income		4,586	527
Interest expense		(459)	(29)
Other financial expense		(3,080)	(6,857)
Net foreign exchange gains (losses)		8,559	6,244
Net financial items		9,606	(115)
Profit/(loss) before income tax		**(41,544)**	**(323,512)**
Income tax	6	-	-
Profit/(loss) for the year		**(41,544)**	**(323,512)**
Profit/(loss) for the year is attributable to:			
Owners of Huddly AS		**(41,544)**	**(323,512)**

Earnings per share in NOK

Basic earnings per share	9	(0.20)	(1.52)
Diluted earnings per share	9	(0.20)	(1.52)

Consolidated Statement of Comprehensive Income or Loss

Amounts in NOK 1,000	2022	2021
Profit/(loss) for the year	**(41,544)**	**(323,512)**
Other comprehensive income:		
Items that might be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	508	(1,830)
Total comprehensive income for the year	**(41,036)**	**(325,341)**
Total comprehensive income is attributable to:		
Owners of Huddly AS	**(41,036)**	**(325,341)**

Consolidated statement of financial position

Amounts in NOK 1,000	**Note**	**12/31/2022**	**12/31/2021**	**1/1/2021**
ASSETS				
Non-current assets				
Goodwill	10	8,018	8,018	8,018
Intangible assets	10	159,291	117,958	89,795
Tangible assets	11	8,782	4,833	4,701
Right-of-use assets	12	12,520	13,883	4,737
Deferred tax asset	6	-	-	-
Other non-current receivables	13	19,000	10,000	-
Total non-current assets		**207,611**	**154,692**	**107,250**
Current assets				
Inventories	14	14,887	15,728	3,238
Consignation inventories	14	117,864	56,043	41,141
Trade receivables	15	71,842	97,374	59,315
Other current receivables	15	41,648	38,861	27,571
Cash and cash equivalents	16	183,900	337,276	126,371
Total current assets		**430,143**	**545,282**	**257,635**
TOTAL ASSETS		**637,754**	**699,974**	**364,885**

Amounts in NOK 1,000	Note	12/31/2022	12/31/2021	1/1/2021
EQUITY AND LIABILITIES				
Equity				
Share capital	17	135	135	120
Share premium		468,127	508,284	230,502
Other paid in capital		306,890	282,820	20,929
Foreign currency translation reserves		(637)	(1,146)	684
Retained earnings		(378,045)	(336,502)	(12,990)
Total equity		**396,470**	**453,592**	**239,244**
Non-current liabilities				
Other non-current liabilities	18	7,650	32,132	8,956
Total non-current liabilities		**7,650**	**32,132**	**8,956**
Current liabilities				
Lease liabilities (current portion)	12	12,674	13,911	5,037
Trade payables		35,404	70,345	42,571
Current tax payables		-	-	-
Consignation liabilities	19	117,864	56,043	41,141
Other current liabilities	19	67,691	73,950	27,937
Total current liabilities		**233,633**	**214,249**	**116,685**
Total liabilities		**241,284**	**246,381**	**125,641**
TOTAL EQUITY AND LIABILITIES		**637,754**	**699,974**	**364,885**

Oslo, 9 May 2023

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Jostein Devold	**Kristian Kolberg**	**Per Kåre Haug Kogstad**	**Graham Spencer Williams**
Chairman	*Board member*	*Board member*	*CEO*

Consolidated statement of changes in equity

Amounts in NOK 1,000	Note	Share capital	Share premium	Other Paid in Capital	Translation differences reserves	Retained earnings	Total equity
Balance at 1 January 2021		**120**	**230,502**	**11,591**	**684**	**(26,589)**	**216,307**
Adjustments from Simplified IFRS to IFRS	23	-	-	9,338	-	13,599	22,937
Balance at 1 January 2021		**120**	**230,502**	**20,929**	**684**	**(12,990)**	**239,244**
Profit/(loss) for the year					-	(323,512)	(323,512)
Currency translation differences					(1,830)		(1,830)
Total comprehensive income/(loss) for the year		-	-	-	(1,830)	(323,512)	(325,341)
Issuance of shares		16	277,783				277,799
Share-based payment to employees				261,891			261,891
Balance at 31 December 2021		**135**	**508,285**	**282,820**	**(1,146)**	**(336,502)**	**453,593**
Profit/(loss) for the year						(41,544)	(41,544)
Currency translation differences					508		508
Total comprehensive income/(loss) for the year		-	-	-	508	(41,544)	(41,036)
Share-based payment to employees				24,399			24,399
Share repurchase			(40,157)	(329)			(40,486)
Balance at 31 December 2022		**135**	**468,127**	**306,890**	**(637)**	**(378,045)**	**396,470**

Consolidated statement of cash flows

Amounts in NOK 1,000	**Note**	**2022**	**2021**
Cash flows from operating activities			
Profit/(loss) before income tax		(41,544)	(323,512)
Adjustments for			
Depreciation and amortization	10,11,12	52,790	33,311
Share-based payments expense		24,399	261,891
Change in trade and other receivables		25,532	(38,060)
Change in trade payables		(34,941)	27,774
Change in other current assets and other liabilities		(39,475)	34,184
Net cash inflow from operating activities		**(13,238)**	**(4,411)**
Cash flows from investing activities			
Payment for property, plant and equipment	11	(7,775)	(2,466)
Payment for investments in intangible assets	10	(73,779)	(53,374)
Net cash (outflow) from investing activities		**(81,554)**	**(55,840)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		-	277,799
Share repurchase		(40,486)	-
Repayments of lease liabilities	12	(17,717)	(6,278)
Paid interest on lease liabilities	12	(488)	(35)
Net cash inflow from financing activities		**(58,691)**	**271,486**
Net increase/(decrease) in cash and cash equivalents		**(153,484)**	**211,234**
Cash and cash equivalents as of 1 January		337,276	126,371
Effects of exchange rate changes on cash and cash equivalents		108	(330)
Cash and cash equivalents as of 31 December		**183,900**	**337,276**

Notes to the financial statements

1. General Information

Huddly AS (the Company), the parent company of Huddly Group (Huddly or the Group) is a private limited liability Company incorporated and domiciled in Norway. The address of its registered office is Haakon VIIs gate 5, 0161 Oslo, Norway. The company is listed on Euronext Growth (Oslo) and has the ticker “HDLY”

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

These consolidated financial statements have been approved for issuance by the Board of Directors on 9 May 2023. The Group has converted to IFRS from Simplified IFRS as of 1 January 2022, with a transition date of 1 January 2021. See note 23 for the conversion details.

2. General accounting principles

The general accounting policies applied in the preparation of these consolidated financial statements are set out below. Specific accounting principles are described in the relevant notes.

Basis of preparation

The consolidated financial statements of Huddly are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), and additional disclosure requirements in the Norwegian Accounting Act as effective of 31 December 2022.

The consolidated financial statements are presented in Norwegian kroner (NOK), which corresponds to the functional currency of the Parent Company of Huddly Group and have been rounded to the nearest thousand unless otherwise stated. As a result of rounding adjustments, amounts and percentages may not add up to the total.

The financial statements are prepared on a going concern basis. The financial statements have been prepared on a historical cost basis.

Foreign currency translation

For consolidation purposes, all subsidiaries with a different functional currency than the parent company (NOK) are translated at the rate applicable at the reporting date. The statement of profit or loss is translated at the average exchange rate that approximates the prevailing rate at the date of transaction. The cumulative foreign exchange rate difference is recycled to profit or loss when there is a disposal or sale of the net investment.

Monetary balances in foreign currencies are translated into the functional currency at the exchange rates on the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Principles of consolidation

Subsidiaries

Huddly Group consists of Huddly AS, as parent company, and Huddly Inc. as subsidiary. The following presents the accounting principles in Huddly Group for recognizing subsidiaries.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances, and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Figures from subsidiaries with different accounting policies are amended to ensure consistent accounting policies for the Group.

If the Group loses control over a subsidiary, it derecognizes the assets, liabilities, and non-controlling interest, and reclassifies to profit or loss, or transfers directly to retained earnings as appropriate, the amounts recognized in other comprehensive income/(loss) in relation to the subsidiary.

Classification of assets and liabilities

An asset is classified as current when it is expected to be realized or sold, or to be used in the Group’s normal operating cycle or falls due or is expected to be realized within 12 months after the end of the reporting period. Other assets are classified as non-current assets. Liabilities are classified as current when they are expected to be settled in the normal operating cycle of the Group or are expected to be settled within 12 months of the end of the reporting period, or if the Group does not have an unconditional right to postpone settlement for at least 12 months after the balance sheet date.

Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses. The Group has determined that the Management team are the chief operating decision maker.

The segment information is reported in accordance with the reporting to the Management team (the chief operating decision makers) and is consistent with financial information used for assessing performance and supporting the Group's direction and strategy, resource allocation and acquisition activities. The Group has identified one segment. The Group is monitored at consolidated income statement, balance sheet and cash flow.

Use of judgements and estimates

Estimates and assumptions

Management has used estimates and assumptions that have affected assets, liabilities, revenues, expenses and information on potential liabilities. Future events may lead to these estimates being changed. Estimates and their underlying assumptions are reviewed on a regular basis and are based on historical experience and other factors that are considered to be relevant. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

Management has, when preparing the financial statements, made certain significant assessments based on critical judgment when it comes to application of the accounting principles.

Material exercise of judgment and estimates relate to the following matters:

- Consignation Inventory, note 14

3. Revenue

Accounting principles

Revenue

The Group has revenue from sale of various types of cameras to be used in meeting rooms.

Revenue from contracts with customers is recognized when persuasive evidence of an arrangement exists, delivery has occurred as well as risk and control, the fee is fixed or determinable, and collectability is reasonably assured. Currently all revenue is recognized at a point in time.

The Group accrues for warranty costs, sales returns, and other allowances and as there are no historical history the Group has taken a conservative estimate until such history is established. Shipping and handling fees billed to customers are included in revenue, with the associated costs included in cost of sales. Revenue is shown net of value-added tax, estimated returns, rebates, and discounts and after eliminated sales within the Group.

Trade receivables

Trade receivables are initially recognized at fair value. Trade receivables are non-interest bearing and trading terms range from 30 to 45 days and therefore classified as current.

Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group fulfils the performance obligations under the contract. Normally, The Group invoices at the time of revenue recognition, thus contract liabilities are rarely recognized.

The Group does not have any costs to obtain or fulfill contracts that are recognized as an asset.

Revenue from customers

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

Revenue from costumers	2022	2021
Strategic partners %	79%	61%
Channel partners %	21%	39%
Total	**100%**	**100%**

Amounts in NOK 1,000		
Strategic partners	355,668	206,361
Channel partners	95,929	130,568
Revenue from customers	**451,597**	**336,929**

Revenue by geography

In presenting the geographic information, revenue has been based on the geographic location of customers.

Amounts in NOK 1,000	2022	2021
EMEA/APAC	134,450	117,183
Americas	317,146	219,746
Revenue from customers	**451,597**	**336,929**

Information about major customers

The Group conducts its sales through one revenue segment. Of the Group's total revenue base per 2022, the 2 largest customers represent 79% of total revenue (61% in 2021). No other customer represents more than 10% of the Group's revenue.

4. Employee benefit expense

Accounting principles

Pension plans

The Group has a defined contribution plan for some of its employees. The Group's payments are recognized in the profit or loss as an employee benefit expenses for the year to which the contribution applies.

Specification of employee benefit expense

Employee benefit expense

Amounts in NOK 1,000	**2022**	**2021**
Wages and salaries	121,049	75,156
Share-based payment to employees	24,399	261,891
Legal settlement on Share-based synthetic options	-	75,000
Social security tax	17,127	9,628
Social security tax, share-based payment to employees	(14,216)	17,713
Social security tax, legal settlement on share-based synthetic options	-	4,263
Pension costs	5,827	2,519
Other personnel costs	12,635	16,000
Capitalization personnel cost	(55,498)	(38,186)
Total personnel cost	111,323	423,984

Total personnel cost is presented net of government grants, refer note 8.

The Group had an average of 123 full time employees on payroll in 2022, compared to 87 employees in 2021.

The Group's pension schemes satisfy the requirements in local country legislation regarding mandatory occupational pension act. 114 employees are registered in pension schemes as of December 31, 2022, compared to 98 employees in 2021.

Share-based payments to employees are equity settled and booked directly against the comprehensive statement of equity. Accrued social security are cash settled and booked directly against the statement of comprehensive income. Accrued social security on share-based payments to employees are measured per option based on the reporting period ending share price less the strike price and

Legal settlement on Share-based synthetic options and social security on legal settlement of Share-based payments are included in Employee benefit expense in 2021. More information on settlement can be found in Note. 7 Share based payments.

5. Other operating expenses

Other operating expenses

Amounts in NOK 1,000	**2022**	**2021**
Professional services	25,803	13,882
Advertising	6,848	1,637
Shipping	1,643	1,485
Rent and leases	4,061	1,315
Travel	3,894	57
Other costs	12,207	15,563
Total other operating expenses	**54,456**	**33,940**

Included within Professional services for 2021 is TNOK 1,731 relating to legal settlement of Share-based synthetic option settlement. More information on settlement can be found in Note. 7 Share based payments. Total personnel cost is presented net of government grants, refer note 8.

Audit fee

Specification of auditors' fees

Amounts in NOK 1,000	**2022**	**2021**
Statutory audit	650	163
Other assuranse services	50	75
Other non-assurance services	150	-
Total	**850**	**238**

Fees are presented excluding VAT. Statutory audit fee to the Company's current engaged auditor, was TNOK 500 for 2022. In addition, there were other non-assurance services of TNOK 150. The remaining balance relates to the company's former auditors.

6. Taxes

Accounting principles

The tax expense/(Income) for the period comprises current tax and changes in deferred tax. Tax expense is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax expense is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Deferred tax assets are calculated with the nominal corporate tax rate in all local group countries and consolidated at group level. At balance sheet date, the recognition criteria in IAS 12 were not met for Huddly AS or Huddly Inc.

Carried forward tax losses in the US amount to 67 MNOK and Norway amount to 94 MNOK at 31 December 2022. There is no expiration date of carried forward losses any in either the US or Norway. The tax loss in the US is

Descriptions

Specification of income tax expense

Amounts in NOK 1,000	**2022**	**2021**	**1/1/2021**
Income tax payable	-	-	-
Deferred tax income	-	-	-
Total income tax expense	**-**	**-**	**-**

Specification of deferred tax balances:

Amounts in NOK 1,000	**2022**	**2021**	**1/1/2021**
Non-current assets	9,137	752	835
Accounts receivable	61	54	1,340
Other provisions	1,907	1,711	3,142
Other temporary differences	(1,577)	(1,577)	(1,604)
Tax losses carried forward	33,830	32,848	8,027
Total deferred tax assets relating to temporary differences and losses	43,357	33,788	11,740
Non-recognized deferred tax assets	(43,357)	(33,788)	(11,740)
Carrying value deferred tax assets	**-**	**-**	
Tangible assets	-	-	-
Other temporary differences	-	-	-
Carrying value deferred tax liabilities	-	-	-

Changes in net deferred tax assets/liabilities

Amounts in NOK 1,000	**2022**	**2021**
As of 1 January	-	-
Recognized in the statement of profit/(loss)	-	-
Acquistions of subsidiaries	-	-
Translation differences	-	-
As of 31 December	**-**	**-**

Reconciliation of effective tax rate:

Amounts in NOK 1,000	**2022**	**2021**
Net income/(loss) before tax	(41,544)	(323,512)
Expected income tax assessed at 22 %	(9,140)	(71,173)
Adjusted for the tax effect of the following items:		
Permanent differences	203	49,563
Other	(633)	(438)
Deffered tax asset not recognised	9,569	22,048
Income tax expense (income)	**-**	**-**
Effective tax rate	**0%**	**0%**

7. Share-based payment

Accounting policies

Equity-settled, share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the grant date. The vesting period is the period over which all of the specified vesting conditions are to be satisfied. The fair value is expensed over the vesting period as an employee benefit expense, with a corresponding increase in equity.

The fair value at the grant date is determined using the Monte Carlo simulation option pricing model, which takes into account the exercise price, the life of the option, the current price of the underlying shares, the expected volatility of the share price, any dividends expected on the shares and the risk-free interest rate for the life of the option. The expected share price volatility is based on historical volatility for a selection of comparable listed companies. The risk-free interest rate is based on zero-coupon government bonds with a term equal to the expected term of the option being valued.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself. The charges are treated as cash-settled, share-based payments and measured at fair value each reporting date. The fair value measurement for the social security liability per option is based on the reporting period ending share price less the strike price. As at 31 December 2022, the Group had accrued 3,841 TNOK (18,057 TNOK at 31 December 2021) in social security contributions on share-based payments.

All vested and partially vested options that are in-the-money are included in the fair value measurement of the social security liability. The remeasurement change is recognized as an expense in profit or loss and as an adjustment to the social security liability in the statement of financial position.

When the options are exercised, the appropriate number of shares are transferred to the employee. The proceeds received from the exercise of the options (net of any directly attributable transaction costs) are credited directly to equity.

Descriptions

Synthetic options

The Group had per 01 January 2021 2,362,333 outstanding synthetic options. Each synthetic option gave the owner the right to receive a one-time payment up to the value of one share in the company in a change of control event, deducted by exercise price per share. A change of control event was defined as a sale of more than 50% of the ordinary shares in Huddly AS to a single buyer or two or more buyers acting in concert, over a continuous period of 12 months.

As the Group considers a change of control event as highly unlikely, no expenses or corresponding liability has been recognized for the synthetic option program.

In February 2021 the board offered existing employees to convert synthetic options to options under the 2021 incentive plan under certain criteria and this plan was closed for new grants.

As outlined in the stock exchange announcement dated 21 May 2021, Huddly AS was sued by a group of former employees for compensation based on certain synthetic options. The Group reached a settlement with the group as set out in the stock exchange notice 7 December 2021.

The settlement totals TNOK 75,000 plus social security tax and a total expense of TNOK 80,994 was initially recognized as Employee benefit expense and Other operating expense in 2021.

The first installment of TNOK 25,000 was paid in December 2021. Employee benefit expenses in 2021 includes accrued social security tax of TNOK 1,878 related to the first installment. Total expensed for the second and third installment is TNOK 26,487 and TNOK 25,897 respectively, based on NPV calculation which is discounted with a risk-free interest rate of 3 %. Other operating expenses include legal expenses of TNOK 1,731 directly related to this case. Total expense recognized on settlement was TNOK 80,994 in 2021.

After the settlement there has been no changes to the synthetic option program which at 31 December 2022 has 5 prior employees participating.

There were no changes in synthetic options in 2022.

Overview synthetic options	**2022**	**2021**
Options granted, outstanding 01.01	5,871,111	2,362,333
Options granted, 01.01 - 29.01	-	24,000
Adjusted for 1:16 share split, EGM 29.01	-	35,794,995
Converted to 2021 incentive plan 15.02	-	(21,968,000)
Synthetic options settled, 07.12	-	(10,342,217)
Options granted, outstanding 31.12	**5,871,111**	**5,871,111**
Options vested, closing balance 31.12	**5,871,111**	**5,871,111**

The weighted average strike price for Synthetic option program on options granted and vested was 0.95 in 2022 and 2021.

Employee options

As at 31 December 2022 the Group's only active share granting incentive program is the 2021 incentive plan implemented in January 2021, directed at employees and directors. As described above, existing employees were offered to convert synthetic options to options under the 2021 incentive plan under certain criteria. Participants are granted options to subscribe for shares in the company based on a pre-determined strike price.

The amendment of the synthetic option plan to the 2021 incentive plan is reflected in 2021 through a significant recognition of share-based payment expenses related to replacement options already vested at the amendment date.

The 2021 options are as a general rule subject to a three-year vesting schedule. Further, the options may only be exercised in a coordinated process led by the company's board. This implies that the participant may only exercise a number of options each year equal to 20% of its total number of options.

For new grants in 2022, the exercise price per Share equals the average end of month price per ordinary share in the Group for the first six months of 2022, for options granted between 01.07.2022 and 31.12.2022, the exercise price per Share equal to the average end of month price per ordinary share in the Group for the last six months of 2022.

New grants in 2022 have an exercise price varying between NOK 4,85 and NOK 10,68 with a weighted average of NOK 8,68. The weighted exercise price for all outstanding options regardless of option plan is NOK 3,77.

Some Award Agreements state that if an employee leaves after a given time, the strike price would increase from their original strike price to NOK 7.81 (given that the original strike price is below this threshold). This reduces the calculated fair value of the options.

As of 31 December, there are 130 employees and 4 directors participating in the 2021 incentive plan.

In 2022, The Group provided an extraordinary grant to key employees and management, which have a vesting period of between 3 and 5 years. Vesting criteria for grants to key employees and Management are not subject to any certain performance criteria.

The Group 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. The outstanding options under the 2017 Incentive plan were granted in 2018, and will expire in 2023. Exercise price is NOK 0.000625 per share. As of 31 December, there are 7 employees participating in the 2017 incentive plan and the plan is closed for new grants.

Fair value of the equity instruments is measured at grant date and recognized over the vesting period, for both incentive plans. All equity instruments expire after five years from grant date. Share-based payments included in salary costs are TNOK 24,399 and TNOK 261,891 (exclusive of accrued social security cost on option based payments), in 2022 and 2021 respectively.

Overview outstanding options

2017 incentive plan	**2022**	**2021**
Options granted, outstanding 01.01	266,672	173,123
Adjusted for 1:16 share split, EGM 29.01	-	2,596,845
Options granted	-	-
Options exercised	-	(2,476,624)
Options forfeited during the year	-	(26,672)
Options granted, outstanding 31.12	**266,672**	**266,672**
Options vested, closing balance 31.12	**266,672**	**266,672**

2021 incentive plan	**2022**	**2021**
Options granted, outstanding 01.01	18,992,588	-
Converted from synthetic options 15.02	-	21,968,000
Options granted	7,925,000	706,500
Options exercised	-	(3,500,800)
Options forfeited during the year	(492,777)	(181,112)
Options granted, outstanding 31.12	**26,424,811**	**18,992,588**
Options vested, closing balance 31.12	**20,779,772**	**18,446,785**

The weighted average strike price for the 2017 Incentive plan on options granted and vested was 0.000625 in 2022 and 2021.

The weighted average strike price for the 2021 Incentive plan on options grated in 2022 was 3.78 and 3.09 in 2021. The weighted average strike price for the 2021 Incentive plan on options vested in 2022 was 3.67 and 3.05 in 2021.

Overview of outstanding options to key management

Share options 2022

2021 incentive plan	Granted in 2022	Forfeited in 2022	Exercised in 2022	Total outstanding as at 3.12	Weighted average exercise price	Remaining contractual life*
Alexander Woxen, CEO	3,000,000	3,000,000	-	-	-	-
Stein Ove Eriksen, CPO	-	-	-	1,344,000	2.50	3.08
Ragnar Kjos, CFO	500,000	500,000	-	-	-	-
Knut Helge Teppan, CDO	750,000	-	-	1,262,000	5.23	5.43
Vegard Hammer, CTO	750,000	-	-	2,350,000	1.66	3.48
Øystein Drageset, CFO (former)	-	-	-	3,200,000	1.81	3.08

Share options 2021

2021 incentive plan	Granted in 2021	Forfeited in 2021	Exercised in 2021	Total outstanding as at 31.12	Weighted average exercise price	Remaining contractual life*
Graham S. Williams , CEO	-	-	-	960,000	2.50	4.08
Stein Ove Eriksen, CPO	-	-	-	1,344,000	2.50	4.08
Øystein Drageset, CFO	-	-	-	3,200,000	1.81	4.08
Knut Helge Teppan, CDO	-	-	-	512,000	2.50	4.08
Vegard Hammer, CTO	-	-	-	1,600,000	0.81	4.08

*weighted average remaining contractual life of options outstanding at of the period

There were no key management enrolled in the Synthetic option program or 2017 Incentive program in 2022 or 2021.

Monte Carlo parameters

Monte Carlo Option value on 2021 incentive plan	2022	2021
Shareprice (NOK)	4.85 - 10.68	10.68 - 13.97
Strike price (NOK)	8.38	12.13
Risk-free interest rate	2.06%	0.89%
Expected life - years	3.61	3.00
Expected dividend (NOK)	0.00	0.00
Volatility	55.9 %	59.9 %
Option fair value (NOK)	**1.37 - 4.55**	**2.63 - 7.84**
Number of options granted per tranche	7,416,000	1,679,500
Total option fair value at grant date (NOK)	**27,058,361**	**9,292,177**

Several awards have been granted throughout 2022 and 2021, above table shows variance in share price based on changes in company share price as at time of the award. The Vesting period from grant date is 3 years.

8. Government grants

Accounting principles

Government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Grants related to R&D of capitalized intangible assets are recognized as reductions in capitalized costs.

Description

The Group's project: 331274 for 2022 has been approved by Norwegian Research Council as a research and development grant as per Norwegian Tax Law §16-40 (Skattefunn procedure). Payment of TNOK 4,750 was received as part of the final tax settlement for 2021 and during the autumn of 2022. The deduction percentage for 2022 and 2021 for all internal research and development is set at 19 percent of the allowed total project limit.

2022:

Amounts in NOK 1,000	**Amount**	**Reduced salary cost**	**Reduced other cost**	**Reduced capitalized employee benefit expense**	**Reduced capitalization of other additions**
Skattefunn	4,750	1,172	245	2,756	576
Total	**4,750**	**1,172**	**245**	**2,756**	**576**

2021:

Amounts in NOK 1,000	**Amount**	**Reduced salary cost**	**Reduced other cost**	**Reduced capitalized employee benefit expense**	**Reduced capitalization of other additions**
Skattefunn	4,750	1,243	175	2,922	411
Total	**4,750**	**1,243**	**175**	**2,922**	**411**

9. Earnings per share

Accounting principles

The calculation of basic earnings per share is based on the profit attributable to ordinary shares, using the weighted average number of ordinary shares outstanding during the year after the deduction of the average number of treasury shares held over the period.

The potential dilutive shares are not treated as dilutive in the diluted earnings per share calculation, as the conversion of these shares would decrease the loss per share of the Company.

Description

The calculations of earnings per share attributable to the ordinary equity holders of Huddly Group are based on the following net profit/(loss) and share data:

	2022	**2021**
Basic earnings per share	(0.20)	(1.52)
Diluted earnings per share	(0.20)	(1.52)
Profit/(loss) for the year (Amounts in NOK 1,000)		
used for calculating basic earnings per share	(41,544)	(323,512)
used for calculating diluted earnings per share	(41,544)	(323,512)
Weighted average number of shares used as the denominator in calculating basic earnings per share	211,469,319	212,933,435
Weighted average number of shares outstanding for diluted earnings per share	211,469,319	212,933,435

10. Intangible assets

Accounting principles

Costs to develop the Group's products that are incurred subsequent to the establishment of technological feasibility are capitalized if significant, when it is probable that the expected future economic benefits that are attributable to the assets will flow to the entity, and when the cost of the asset can be measured reliably. Intangible assets are measured initially at cost and amortized using the straight-line amortization method over the estimated useful life.

Capitalized development costs include costs directly attributable to development of the intangible, such as personnel expenses and consultancy services. Otherwise, such expenses are expensed as and when incurred.

Judgment is required in evaluating whether subsequent development expenditure is to be capitalized as an internally generated intangible asset or expensed as incurred. The key element of judgment is whether the development project will generate incremental probable future economic benefit in form of a new product, or not.

Descriptions

Capitalized development cost was TNOK 73,779 and TNOK 53,374 in 2022 and 2021 respectively. The Group estimates the economic life to be 5 years.

Amounts in NOK 1,000	Development	Licenses	Domains and Licenses	Goodwill	Total
Cost					
Cost at 1 January 2021	**119,226**	**6,983**	**224**	**8,018**	**134,451**
Capitalized employee benefit expense	38,186	-	-	-	**38,186**
Other additions	15,188	-	-	-	**15,188**
Disposals	-	-	-	-	**-**
Cost at 31 December 2021	**172,600**	**6,983**	**224**	**8,018**	**187,824**
Capitalized employee benefit expense	55,498	-	-	-	**55,498**
Other additions	18,281	-	-	-	**18,281**
Disposals	-	-	-	-	**-**
Cost at 31 December 2022	**246,379**	**6,983**	**224**	**8,018**	**261,603**
Amortization and impairment					
Accumulated at 1 January 2021	**31,789**	**4,849**	**-**	**-**	**36,638**
Disposals	-	-	-	-	**-**
Amortization for the year	23,077	2,134	-	-	**25,211**
Impairment	-	-	-	-	**-**
Accumulated at 31 December 2021	**54,866**	**6,983**	**-**	**-**	**61,849**
Disposals	-	-	-	-	**-**
Amortization for the year	32,446	-	-	-	**32,446**
Impairment	-	-	-	-	**-**
Accumulated at 31 December 2022	**87,312**	**6,983**	**-**	**-**	**94,294**
Carrying amount at 31 December 2021	**117,734**	**-**	**224**	**8,018**	**125,976**
Carrying amount at 31 December 2022	**159,067**	**-**	**224**	**8,018**	**167,309**
Amortization method	**Straight-line 5 years**	**Straight-line 3 years**	**Indefinite life**	**Indefinite life**	

11. Tangible assets

Accounting principles

Property, plant and equipment are stated at historical cost, less accumulated depreciation and any impairment charges. Depreciation is calculated on a straight-line basis over the assets' expected useful life and adjusted for any impairment charges. Ordinary repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit. Major assets with different expected useful lives are reported as separate components.

Property, plant and equipment are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

The difference between the asset's carrying amount and its recoverable amount is recognized in the income statement as an impairment loss. Property, plant and equipment that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Descriptions

Amounts in NOK 1,000	Machines	Office equipment	Tools	Fixtures etc	Total
Cost at 1 January 2021	**136**	**2,646**	**5,161**	**1,149**	**9,093**
Additions	-	1,718	675	72	**2,466**
Disposals	-	-	-	-	-
Translation difference	-	-	-	-	-
Cost at 31 December 2021	**136**	**4,364**	**5,837**	**1,221**	**11,559**
Additions	-	1,589	5,309	878	**7,775**
Disposals	-	-	-	-	-
Translation difference	-	-	-	-	-
Cost at 31 December 2022	**136**	**5,953**	**11,145**	**2,099**	**19,334**
Depreciation and impairment					
Accumulated at 1 January 2021	**129**	**1,549**	**2,196**	**518**	**4,392**
Depreciation for the year	7	784	1,313	231	**2,335**
Impairment	-	-	-	-	-
Disposals	-	-	-	-	-
Translation difference	-	-	-	-	-
Accumulated at 31 December 2021	**136**	**2,332**	**3,509**	**749**	**6,727**
Depreciation for the year	-	1,327	2,153	345	**3,826**
Impairment	-	-	-	-	-
Disposals	-	-	-	-	-
Translation difference	-	-	-	-	-
Accumulated at 31 December 2022	**136**	**3,660**	**5,662**	**1,094**	**10,553**
Carrying amount at 31 December 2021	**-**	**2,032**	**2,328**	**472**	**4,833**
Carrying amount at 31 December 2022	**-**	**2,293**	**5,483**	**1,005**	**8,782**
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line	
Estimated useful life	3 years	3 years	3-5 years	5 years	

12. Leases

Accounting principles

The Group has recognized right of use assets and lease liabilities for all leases with a term of more than 12 months and where the underlying asset has a value of more than NOK 50 thousand.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Right-of-use assets and lease liabilities

The Group's leased assets include offices. The Group's right-of-use assets are categorized and presented in the table below.

Amounts recognized in the balance sheet

Right of use assets

Amounts in NOK 1,000	**12/31/2022**	**12/31/2021**	**1/1/2021**
Offices	12,520	13,883	4,737
Total right-of-use assets	12,520	13,883	4,737
Useful life	7 months	1 year	1 year
Depreciation method	Straight-line	Straight-line	Straight-line

Lease liabilities

Amounts in NOK 1,000	**12/31/2022**	**12/31/2021**	**1/1/2022**
Current	12,674	13,911	5,037
Non-Current	-	-	-
Total lease liability	12,674	13,911	5,037

Amounts recognized in the statement of profit or loss

Amounts in NOK 1,000	**2022**	**2021**
Depreciation of right of use asset	16,521	5,767
Interest expense	488	35
Expenses relating to short-term leases	3,623	1,100
Expenses relating to leases of low-value	439	215

Reconciliation of lease arising from financing activities

Reconciliation of lease arising from financing activities

Amounts in NOK 1,000	**2022**	**2021**
Opening balance 1 January	13,911	5,037
Lease payments during the year	(17,717)	(6,278)
New leases recongised during the year	16,968	15,188
Interest exepense on lease payments	(488)	(35)
Closing balance 31 December	12,674	13,911

Right-of-use asset and lease liability additions during the year ending 31 December 2022 was TNOK 16,968 and relates to the extension to the original lease period and additional office spaces on the Group's main office premises in Oslo during the year.

The Group has no other lease agreements recognized under IFRS 16.

For the year ended 31 December 2021 additions of TNOK 15,188 were related to the same office premises in Oslo and was effective as of 1st December 2021.

The Groups leased office space includes no right of renewal which could be exercised during the last periods of the lease term and no assessment was made on potential future lease payments as at commencement date in 2022 and 2021.

In 2022, a new office lease agreement was signed on Stortorvet 7, 0155 Oslo, commencing 1 July 2023. The lease period is 6 years. Huddly Group as a lessee, initially measures right of use asset and lease liability at the commencement date of the lease. This is the date on which a lessor makes an underlying asset available for use by a lessee. As at 31 December 2022, the underlying asset was not yet made ready, and as such, no recognition was made with regards to the new office lease agreement. The Group's potential future nominal lease payments not included in lease liabilities related to new office lease agreement not yet made ready is 16 MNOK per annum as at year end December 2022.

13. Other non-current receivables

Accounting principles

The Group initially recognizes other non-current receivables at fair value, and subsequently measures it at amortized cost. Interest income on the receivable is recognized as other financial income.

Descriptions

The group has as of 31 December 2022 other non-current receivables of in total TNOK 19,000 (TNOK 10,000 as of 31 December 2021).

The amount consists of receivables with third parties. The receivables are reviewed for impairment on an ongoing basis based on the 3-stage expected credit loss model. There have been no impairments of other non-current receivables as of 31. December 2022.

14. Inventories

Accounting principles

Inventory is valued at the lower of historical cost and net realizable value. The historical cost is calculated in accordance with the first in, first out principle. Historical cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of conversion includes costs directly related to the units of production, as well as fixed and variable production overheads that are incurred in converting materials into finished goods.

Net realizable value is the estimated selling price in the operating activities less estimated costs that are necessary to make a sale. Selling costs includes cost of logistic (warehouse, customs, freight etc.). Goods in transit are recognized at their historical cost.

When inventories are sold, the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized.

Descriptions

Amounts in NOK 1,000	**2022**	**2021**	**1/1/2021**
Components	14,887	15,728	3,238
Consignation inventories	117,864	56,043	41,141
Net financial items	**132,752**	**71,771**	**44,378**

The Group buys finished goods from contractual manufacturers which purchase components and produce finished goods. Normally the Group purchases finished goods for direct sale, but some goods and components are purchased for strategic reasons and presented as components.

During the production of finished goods, there are raw materials and components in the physical possession of the contractual manufacturers, that cannot be used for any other purpose than producing Huddly products. Management has assessed whether the Group controls these raw materials, and using significant judgement management concluded that these raw materials are a present economic resource controlled by the Group based on the economic and contractual relationships between the Group and their production supplies. These raw materials are therefor recognized in the statement of financial position as consignation inventories with corresponding consignation liabilities.

Consignation inventories arise from a reassessment of the accounting treatment of the ultimate ownership of risk related to the manufacturers' inventory according to IFRS. Any and all assessments related to the contractual rights and obligations to the inventory remain unchanged. Both the asset and the corresponding consignation liability will be reduced upon purchase of a finalized product. As such, the cash outflow will first occur once the finalized product is purchased.

15. Trade receivables and other receivables

Accounting principles

Trade receivables are initially measured at fair value. Trade receivables are non-interest bearing and trading terms range from 30 to 45 days and therefore classified as current.

Trade receivables and other receivables are reflected in the balance sheet at nominal value less provision for estimated losses.

Loss allowance and risk exposure

The Group applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on payments profiles, customer contracts in the previous years and historical losses.

Receivables are grouped into categories and the expected loss rates reflect the Group's ability to collect once receivables are overdue.

Descriptions

Trade receivables

Amounts in NOK 1,000	**2022**	**2021**	**1/1/2021**
Trade receivables	72,092	97,653	59,565
Loss allowance	(250)	(279)	(250)
Total	**71,842**	**97,374**	**59,315**

The table below summarizes the trade receivable position according to their maturity on 31 December 2022 and the basis for determining loss allowance:

Amounts in NOK 1,000	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 120 days past due**	**Total**
Expected loss rate	0.1%	0.5%	5%	33%	
Gross carrying amount- trade receivables	65,590	5,013	1,187	303	72,092
Loss allowance - trade receivables	**66**	**25**	**59**	**100**	**250**

The table below summarizes the trade receivable position according to their maturity on 31 December 2021 and the basis for determining loss allowance:

Amounts in NOK 1,000	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0.1%	0.5%	5%	33%	
Gross carrying amount- trade receivables	76,089	19,267	2,281	15	97,653
Loss allowance - trade receivables	**68**	**94**	**112**	**5**	**279**

Payment terms are on average 30 to 45 days. Accounts receivables due are not interest bearing. It is accrued TNOK 250 for loss on accounts receivable in 2022 and TNOK 279 for 2021.

Other short-term receivables

Amounts in NOK 1,000	2022	2021	1/1/2021
Other short-term receivables	33,385	30,320	23,779
Prepaid expenses	3,515	4,579	3,792
Deposits	4,748	3,962	0
Total other receivables	**41,648**	**38,861**	**27,571**

Other short-term receivables are primarily made up of Skattefunn grant and receivable on value added tax, and the amount has increased due to higher activity level in the Group. Deposits comprise of deposit for office premises.

16. Cash and cash equivalents

Accounting principles

Cash and cash equivalents include bank deposits. The Group considers all highly liquid assets with an original or remaining maturity of three months or less at the date of acquisition to be cash equivalents. The cash flow statement is presented using the indirect method.

Descriptions

Amounts in NOK 1,000	2022	2021	1/1/2021
Bank deposits	183,900	337,276	126,371
Total cash and cash equivalents	**183,900**	**337,276**	**126,371**

Amounts in NOK 1,000	2022	2021	1/1/2021
Restricted cash included in the above:	5,517	10,569	5,693
Advance payment of social taxes	5,517	9,978	-
Deposit for office premises	-	591	-
Cash collateral guarantee to Polish VAT fiscal representative			5,693

Restricted cash at year end 2022 was TNOK 5,517 and is related to advance payment of social taxes. In 2021, restricted cash was TNOK 10,569 and included advance payment of social taxes and deposit for office premises. On 1/1/2021, restricted cash was TNOK 5,693 and included cash collateral guarantee to Polish VAT fiscal representative.

17. Share capital and shareholder information

Ownership structure

The parent company Huddly AS (The Company) has 216,328,048 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 1,646 shareholders at 31 December 2022. Below are the 20 largest shareholders.

Shareholder name	Number of shares	Ownership
CLEARSTREAM BANKING S.A.	23,339,499	11%
GJEH Pty Ltd ATF GJEH Family Trust	14,324,839	7%
MERTOUN CAPITAL AS	13,845,471	7%
STAFF HOLDING AS	8,472,717	4%
SOM HOLDING AS	7,970,928	4%
MP PENSJON PK	7,330,959	3%
ATF G+J Williams Super Fund	6,858,272	3%
KOLBERG MOTORS AS	6,628,000	3%
PORTIA AS	6,400,000	3%
The Northern Trust Comp	6,355,028	3%
The Bank of New York Mellon SA/NV	5,900,941	3%
HØYLANDET BYGGUTLEIE AS	5,041,264	2%
SKIPS AS TUDOR	4,950,000	2%
BJØBERG EIENDOM AS	4,042,080	2%
JAHATT AS	3,944,636	2%
MULTIPLIKATOR AS	3,915,000	2%
MELVER INVEST AS	3,315,590	2%
KORINVEST AS	3,216,832	2%
TTC INVEST AS	3,000,000	1%
All others	72,175,976	34%
Total	**211,028,032**	**100 %**

The parent company owns 5,300,016 treasury shares and has 211,028,032 outstanding shares in the market.

Changes in share capital

In 2021, at the extraordinary general meeting a decision was passed to split each of the Huddly AS shares at a ratio of 1:16, (1 existing share give 16 new shares). After the split, the share capital of the company is NOK 11,951,714 divided into 191,227,424 shares each having a nominal value of NOK 0.000625.

In conjunction with new shares in the Primary offering and subsequent listing on Euronext Growth in Q1 2021, the share capital increased by NOK 11,952 by issuing 19,123,200 new shares, each at a nominal value of NOK 0.000625. The subscription price was NOK 15.50 per share.

On new shares based on the 2017 Incentive Plan, share capital increased with NOK 1,547.89 by issuing 2,476,624 new shares each at a nominal value of NOK 0.000625. The subscription price was NOK 0.000625 per share. Of the total proceeds of NOK 1,547.89, all was allocated as share capital in the statement of financial position.

On new shares based on the new 2021 Incentive Plan, share capital was increased with NOK 2,188 by issuing 3,500,800 new shares, each at a nominal value of NOK 0.000625. The subscription price was NOK 2.046655164533821 per share.

The share capital on 31 December 2022 was NOK 135,205. Total issued share capital during the 2021 was total NOK 15,688 and closed at NOK 135,205 on 31 December 2021. The share capital on 1 January 2021 NOK 119,517.

In 2022, the Company bought back 5,300,016 treasury shares.

	Number of shares	Share capital
	Ordinary	**Share capital**
1 January 2021	**11,951,714**	**120**
Reverse 1:16 share split	**191,227,424**	**120**
Issue of share capital - OPTIONS	3,500,800	2
Issue of share capital - WARRANTS	2,476,624	2
Issue of share capital - PRIMARY	19,123,200	12
31 December 2021	**216,328,048**	**135**
Repurchase of treasury shares	5,300,016	-
31 December 2022	**211,028,032**	**135**

18. Long-term liabilities

Amounts in NOK 1,000	2022	2021	1/1/2021
Other long-term liabilities	-	25,897	-
Product warranty provision	7,650	6,235	8,956
Net financial items	**7,650**	**32,132**	**8,956**

The Group has a three-year product warranty on all products and has recognized a provision of 3 % on all direct manufacturing costs occurred over the last three years at 31 December 2022. This compared to a two-year product warranty and a 3 % provision in 2021.

Other long-term liabilities in 2021 include accrued settlement of synthetic option claim inclusive of associated social taxes. This has been reclassified to other short-term liabilities as of 31 December 2022.

19. Other short-term liabilities

Amounts in NOK 1,000	2022	2021	1/1/2021
Other short-term liabilities	43,247	34,452	5,720
Consignation liabilities	117,864	56,043	41,141
Public dues	13,652	32,822	17,352
Accrued vacation pay	10,792	6,676	4,866
Total other short-term liabilities	**185,555**	**129,993**	**69,078**

Other short-term liabilities include accrued social security tax, accrued social security on shared-based option payments and accrued settlement of synthetic option claim inclusive of associated social security taxes.

Consignation liabilities arise from a reassessment of the accounting treatment of the ultimate ownership of risk related to the manufacturers' inventory according to IFRS. Any and all assessments related to the contractual rights and obligations to the inventory remain unchanged. Both the liability and the corresponding consignation inventory will be reduced upon purchase of a finalized product. As such, the cash outflow will first occur once the finalized product is purchased.

20. Related party transactions

The Group's related parties are key management personnel and members of the Board, close members of the family of these, entities that are controlled or jointly controlled by any of these, and owners with significant influence. All transactions with related parties are priced at market conditions and there are no special conditions attached to them. Transactions with subsidiaries have been eliminated in consolidated statements and do not represent transactions with related parties for the Group. As of 31 December 2022, there are no related party balance items as balance items.

Remuneration to leading personnel

Amounts in NOK 1,000	2022			2021		
	CEO	Other key mng.	Board	CEO	Other key mng.	Board
Salaries and wages	3,735	7,183	1,563	2,123	5,233	2,000
Pension benefits	72	215	-	68	131	-
Other benefits	-	-	1,350	-	-	450
Share based payments, exercised	-	-	-	4,108	16,344	4,891
Total key management compensation	**3,807**	**7,398**	**2,913**	**6,299**	**21,708**	**7,341**

The key management team, (2022 - Alexander Woxen, CEO. Stein Ove Eriksen, CPO. Ragnar Kjos, CFO. Knut Helge Teppan, CDO. Vegard Hammer, CTO. 2021 - Stein Ove Eriksen, CEO. Øystein Drageset, CFO. Knut Helge Teppan, CDO. Vegard Hammer, CTO), did not receive reimbursement or other financial benefits outside their normal duties as leaders. No loans or guarantees have been granted to senior executives, shareholders, etc.

There are no loans or pledges granted to the management group.

The Board signed a consultancy agreement with Graham S. Williams as Executive Chairman in August 2019. The agreement has been active for full year 2022 with a compensation of TNOK 1,563.

The fair value weighted average of share-based payments for granted options on the company's 2021 incentive plan relating to the board was TNOK 4,777 for 2022. The weighted average fair value of share-based payments for granted options on the company's 2021 incentive plan relating to key management was TNOK zero for 2022. There were no grants to either the Board of directors or key management in 2021.

All members of the management and the board are part of the company's 2021 incentive plan. Management and two board members participated in the option exercise upon up listing to the Euronext Growth. The gain from sale of shares are shown in the table above and as described in the Information Document published 15 February 2021.

Shares owned / controlled by Management, Board, and their related parties at 31 December 2022	Number of shares	Ownership
Graham S. Williams, CEO (GJEH Pty Ltd ATF GJEH Family Trust and ATF G+J Williams Super Fund)	21,183,111	10%
Jostein Devold, Chariman (Mertoun Capital AS and Leif Hübert)	13,845,471	6%
Stein Ove Eriksen, Co-Founder and Chief Product Officer (SOM Holding AS)	7,970,928	4%
Kristian Kolberg, Board member (Kolberg Motors AS, Multiplikator AS and children)	6,628,000	3%
Per K. H. Kogstad, Board member (Bjøberg Eiendom AS)	4,042,080	2%
Knut Helge Teppan, CDO (Knut Teppan Design AS)	2,400,000	1%
Ragnar Kjos, CFO	120,000	0%
Total	**56,189,590**	**26%**

21. Financial Risk and Capital Management

Huddly Group's financial risk and capital management is predominantly controlled by the finance and strategy department.

Huddly Group is mainly exposed to the following risks: Market risk, credit risk and liquidity risk.

Huddly Group has no interest-bearing debt and is not actively engaged in hedging of financial risk. Excess liquidity is invested in bank deposits. Huddly Group operates with several currencies, whereof the main currencies are NOK, USD and PLN. There is no active exchange rate risk hedging. Focus is on securing operational funding, and currency exchanges are conducted when liquidity in a certain currency is needed. In general, cash in foreign currencies are exchanged to NOK on a regular basis when deemed beneficial, meaning that Huddly Group's cash deposits mainly consist of NOK amounts.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions; Recognized financial assets and liabilities not denominated in NOK	Cash flow forecasting; Sensitivity analysis	Continuous assessment of whether to engage in forwards and/or options hedging of FX
Credit risk	Trade receivables; Cash and cash equivalents	Aging analysis, credit ratings; Rolling cash flow forecasts	Credit assessment, regular following up of the outstanding balances
Liquidity risk	Other liabilities	Rolling cash flow forecasts; sensitivity analysis	Continuous monitoring of liquidity and assessment of potential need for debt facilities

Market risk - foreign exchange

Huddly Group holds no material debt. Huddly Group holds bank deposits mainly in the following currencies: NOK, USD, PLN. The main exposure to foreign currency is derived from accounts payable and accounts receivable in connection with the sale and purchase of goods in foreign currency, in addition to other operating expenses denominated in a foreign currency, such as foreign payroll and services. Finally, the exposure relates to foreign indirect tax receivables exposure.

Huddly Group does not normally use contracts to hedge the foreign exchange exposure. The exposure is largely hedged through receipts and debts being denominated, directly or indirectly, in the same currency (a "natural hedge").

Pre-tax effect from a 10% change of exchange rate per year end

Sensitivity currency exposure	2022	2021
NOK depreciated 10% against USD	8,825	8,872
NOK depreciated 10% against PLN	3,411	1,809

Credit risk

Huddly Group's credit risk is related to the sale of goods and services on credit.

Huddly Group monitors the outstanding amounts and follow up closely with its customers should amounts become overdue.

Per 31.12.2022 Huddly Group had TNOK 72,092 in outstanding accounts receivables, of which TNOK 6,503 were more than 30 days overdue. Traditionally, overdue amounts are paid in full and Huddly Group has historically had a low rate of loss on receivables. Huddly Group had no expenses on bad debt during 2022, and the provision for bad debt did not materially change during 2022.

Net interest-bearing debt

Amounts in NOK '000	2022	2021
Total interest-bearing debt	-	-
Cash	183,077	337,276
Net interest-bearing debt	**183,077**	**337,276**

Liquidity risk

Huddly Group manages liquidity risk by monitoring that the expected future cash from operations and available cash and are adequate to serve the operational and financial obligations. This is done by preparing cash flow forecasts on a 12 month forward rolling basis, and detailed by weekly cash monitoring, based on different sales and cost scenarios. Capital tied up is supervised, focusing on inventory, accounts receivable, and accounts payable.

Huddly Group's liquidity strategy is to secure sufficient cash, cash equivalents and credit facilities available at any time to finance the operations and investments for the next 12 months.

Excess liquidity sits on Huddly Group's bank accounts. Huddly Group holds no credit facilities as of 31 December 2022.

Huddly Group holds no loan agreements against financial institutions and has no covenants.

The following table discloses the maturity analysis for non-derivative liabilities, showing its undiscounted remaining contractual liabilities:

Overview of maturity structure of financial liabilities

			2022		
Amounts in NOK '000	**Carrying Amount**	**< 1 year**	**1-5 years**	**2-5 years**	**Total**
Lease liabilities	12,674	12,674	0	0	12,674
Trade payables	35,404	35,404	0	0	35,404
Other current liabilities	67,691	67,691	0	0	67,691
Total	**115,769**	**115,769**	**0**	**0**	**115,769**

			2021		
Amounts in NOK '000	**Carrying Amount**	**< 1 year**	**1-5 years**	**2-5 years**	**Total**
Lease liabilities	13,911	13,911	0	0	13,911
Trade payables	70,345	70,345	0	0	70,345
Other non-current liabilities	25,897	0	25,897	0	25,897
Other current liabilities	73,950	73,950	0	0	73,950
Total	**184,103**	**158,206**	**25,897**	**0**	**184,103**

The payment of financial obligations is intended to be covered by the payment of accounts receivable, sale of goods and services, and available cash.

At the end of the reporting period Huddly Group held deposits at call for managing liquidity risk:

Deposits

Amounts in NOK '000	**2022**	**2021**
Deposits at the end of the period	183,077	337,276
- of which is restricted	5,517	9,978

Capital Management

The Board's objective is to maintain a healthy capital base to retain the trust of shareholders, creditors, customers, suppliers, and the market to continually develop Huddly Group. The Board continuously monitor the capital structure and make appropriate actions when deemed necessary. The ultimate objective of the Board is to ensure Huddly's shareholders over time will gain a competitive return on their investment.

Huddly Group holds no long-term debt and did not pay any dividend in 2022 and 2021.

Considering all available information about the future of Huddly Group’s operations, Huddly Group’s management concludes that it is appropriate to assume Huddly Group’s ability to continue as a going concern. For further information on capital management, please refer to Note 24. Events after the reporting period.

22. New and amended standards not yet adopted by the Group

Huddly Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods. New standards and interpretations not yet adopted. Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12, and
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

23. First-time adoption of IFRS

These financial statements, for the year ended 31 December 2022, are the first the Group has prepared in accordance with IFRS. These financial statements will be published at the Group's website. For the year ended 31 December 2021, the Group prepared its financial statements in accordance with simplified IFRS valid as of December 31, 2021.

The Group has prepared financial statements that comply with IFRS applicable as at 31 December 2022, together with the comparative period data for the year ended 31 December 2021, as described in general accounting principles and relevant notes.

In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2021, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its NGAAP financial statements.

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the general requirement to the retrospective application of certain IFRSs. The general requirement of IFRS 1 is full retrospective application for all standards.

Consolidated statement of profit or loss for 2021

Amounts in NOK 1,000	Note	Simplified IFRS	Effect of transition to IFRS	IFRS
Sales of goods		336,929	-	336,929
Total revenue		**336,929**	**-**	**336,929**
Cost of goods sold		(169,209)	-	(169,209)
Gross profit		**167,720**	**-**	**167,720**
Employee benefit expenses	1)	(407,626)	(16,241)	(423,867)
Other operating expenses	1)	(27,480)	(6,460)	(33,940)
Amortization and depreciation	1)	(63,975)	30,664	(33,311)
Total operating expenses		(499,081)	7,964	(491,117)
Operating profit/(loss)		**(331,361)**	**7,964**	**(323,397)**
Interest income		527	-	527
Other financial income		-	-	-
Interest expense		(29)	-	(29)
Other financial expense		(6,857)	-	(6,857)
Net foreign exchange gains (losses)		6,244	-	6,244
Net financial items		(115)	-	(115)
Profit/(loss) before income tax		**(331,475)**	**7,964**	**(323,512)**
Income tax	2)	18,365	(18,365)	-
Profit/(loss) for the year		**(313,111)**	**(10,401)**	**(323,512)**

Consolidated statement of comprehensive income

Amounts in NOK 1,000	Note	Simplified IFRS	Effect of transition to IFRS	IFRS
Profit/(loss) for the year		**(313,111)**	**(10,401)**	**(323,512)**
Other comprehensive income:				
Items that might be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations		(1,830)	-	(1,830)
Item that are not reclassified to profit or loss:				
Total comprehensive income for the year		**(314,940)**	**(10,401)**	**(325,341)**

Consolidated statement of financial position 31.12.2021

Amounts in NOK 1,000	Note	Simplified IFRS	Effect of transition to IFRS	IFRS
ASSETS				
Non-current assets				
Goodwill		8,018	-	8,018
Intangible assets	1)	92,683	25,275	117,958
Tangible assets		4,833	-	4,833
Right-of-use assets		13,883	-	13,883
Deferred tax asset	2)	22,077	(22,077)	-
Other non-current receivables	3)	-	10,000	10,000
Total non-current assets		**141,494**	**13,198**	**154,692**
Current assets				
Inventories	3)	30,728	(15,000)	15,728
Consignation inventories	4)	-	56,043	56,043
Trade receivables		97,374	-	97,374
Other current receivables	3)	29,513	9,348	38,861
Cash and cash equivalents		337,276	-	337,276
Total current assets		**494,891**	**50,391**	**545,282**
TOTAL ASSETS		**636,385**	**63,589**	**699,974**

Consolidated statement of financial position 31.12.2021

Amounts in NOK 1,000	Note	Simplified IFRS	Effect of transition to IFRS	IFRS
EQUITY AND LIABILITIES				
Equity				
Share capital		135	-	135
Share premium		508,284	-	508,284
Other paid in capital		278,472	4,348	282,820
Foreign currency translation reserves		(1,146)	-	(1,146)
Retained earnings		(339,700)	3,198	(336,502)
Total equity		**446,047**	**7,546**	**453,592**
Non-current liabilities				
Other non-current liabilities		32,132	-	32,132
Total non-current liabilities		**32,132**	**-**	**32,132**
Current liabilities				
Lease liabilities (current portion)		13,911	-	13,911
Trade payables		70,345	-	70,345
Current tax payables		-	-	-
Consignation liabilities	4)	-	56,043	56,043
Other current liabilities		73,950	-	73,950
Total current liabilities		**158,206**	**56,043**	**214,249**
Total liabilities		**190,338**	**56,043**	**246,381**
TOTAL EQUITY AND LIABILITIES		**636,385**	**63,589**	**699,974**

Consolidated statement of financial position 01.01.2021

Amounts in NOK 1,000	Note	Simplified IFRS	Effect of transition to IFRS	IFRS
ASSETS				
Non-current assets				
Goodwill		8,018	-	8,018
Intangible assets	1)	72,483	17,312	89,795
Tangible assets		4,701	-	4,701
Right-of-use assets		4,737	-	4,737
Deferred tax asset	2)	3,713	(3,713)	-
Other non-current receivables	3)	-	-	-
Total non-current assets		**93,651**	**13,599**	**107,250**
Current assets				
Inventories	3)	3,238	-	3,238
Consignation inventories	4)	-	41,141	41,141
Trade receivables		59,315	-	59,315
Other current receivables	3)	18,233	9,338	27,571
Cash and cash equivalents		126,371	-	126,371
Total current assets		**207,156**	**50,478**	**257,635**
TOTAL ASSETS		**300,807**	**64,077**	**364,885**

Consolidated statement of financial position 01.01.2021

Amounts in NOK 1,000	Note	Simplified IFRS	Effect of transition to IFRS	IFRS
EQUITY AND LIABILITIES				
Equity				
Share capital		120	-	120
Share premium		230,502	-	230,502
Other paid in capital		11,591	9,338	20,929
Foreign currency translation reserves		684	-	684
Retained earnings		(26,589)	13,599	(12,990)
Total equity		**216,307**	**22,937**	**239,244**
Non-current liabilities				
Other non-current liabilities		8,956	-	8,956
Total non-current liabilities		**8,956**	**-**	**8,956**
Current liabilities				
Lease liabilities (current portion)		5,037	-	5,037
Trade payables		42,571	-	42,571
Current tax payables		-	-	-
Consignation liabilities	4)	-	41,141	41,141
Other current liabilities		27,937	-	27,937
Total current liabilities		**75,545**	**41,141**	**116,685**
Total liabilities		**84,500**	**41,141**	**125,641**
TOTAL EQUITY AND LIABILITIES		**300,807**	**64,077**	**364,885**

Consolidated statement of cash flows 2021

Amounts in NOK 1,000	Note	Simplified IFRS	Effect of transition to IFRS	IFRS
Cash flows from operating activities				
Profit/(loss) before income tax		(331,475)	7,964	**(323,512)**
Adjustments for				
Depreciation and amortization		63,975	(30,664)	**33,311**
Share-based payments expense		261,891	-	**261,891**
Change in trade and other receivables		(38,060)	-	**(38,060)**
Change in trade payables		27,774	-	**27,774**
Change in other current assets and other liabilities		34,184	-	**34,184**
Net cash inflow from operating activities		**18,289**	**(22,701)**	**(4,411)**
Cash flows from investing activities				
Payment for property, plant and equipment		(2,466)	-	**(2,466)**
Payment for investments in intangible assets		(76,074)	22,701	**(53,374)**
Net cash (outflow) from investing activities		**(78,540)**	**22,701**	**(55,840)**
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		277,799	-	**277,799**
Repayments of lease liabilities		(6,278)	-	**(6,278)**
Paid interest on lease liabilities		(35)	-	**(35)**
Net cash inflow from financing activities		**271,486**	**-**	**271,486**
Net increase/(decrease) in cash and cash equivalents		211,234	-	**211,234**
Cash and cash equivalents as of 1 January		126,371	-	**126,371**
Effects of exchange rate changes on cash and cash equivalents		(330)	-	**(330)**
Cash and cash equivalents as of 31 December		**337,276**	**-**	**337,276**

Notes to the reconciliation of changes from Simplified IFRS to IFRS:

1) Employee benefit expenses and other operating expenses increase due to lower capitalization, while amortization decreases due to increased useful life of intangible assets.
2) No recognition of deferred tax asset due to stricter requirements with regards to recognition of tax assets under IFRS.
3) Other receivables increased due to reclassification of inventory from a reassessment of the classification of financial assets previously recognized as inventory, and recognition of other current receivables.
4) Introduction of a new asset and corresponding liability arising from a reassessment of the accounting treatment of the ultimate ownership of risk related to the manufacturers' inventory. Any and all assessments related to the contractual rights and obligations to the inventory remain unchanged. Both the asset and the liability will be reduced upon purchase of a finalized product. As such, the cash outflow will first occur once the finalized product is purchased.

24. Events after the reporting period

In January 2023 Graham Spencer Williams took over as CEO for Huddly and replaced Alexander Woxen who resigned. At the same time, Mr. Williams stepped down as Chairman and was replaced by Jostein Devold. During the same month Ragnar Kjos resigned as CFO for the company. In April 2023 Huddly appointed Abhijit Banik as new Chief Financial Officer (CFO).

There have been no other material events subsequent to the reporting period that might have a significant effect on these financial statements for 2022.

Financial Statements 2022

Huddly AS

Huddly

Financial Statements

Statement of profit or loss

Statement of profit or loss

Amounts in NOK 1,000	**Note**	**2022**	**2021**
Sales of goods		451,597	336,838
Total revenue	3	**451,597**	**336,838**
Cost of goods sold		(284,178)	(169,209)
Gross profit		**167,419**	**167,630**
Employee benefit expenses	4	(91,215)	(409,811)
Other operating expenses	5	(146,106)	(25,122)
Amortization and depreciation	10,11,12	(52,661)	(33,263)
Total operating expenses		(289,983)	(468,195)
Operating profit/(loss)		**(122,564)**	**(300,565)**
Interest income		4,586	527
Interest expense		(459)	(29)
Other financial expense		(3,064)	(6,851)
Net foreign exchange gains (losses)		8,772	40,366
Net financial items		9,836	34,012
Profit/(loss) before income tax		**(112,728)**	**(266,553)**
Income tax	6	-	-
Profit/(loss) for the year		**(112,728)**	**(266,553)**
Profit/(loss) for the year is attributable to:			
Owners of Huddly AS		**(112,728)**	**(266,553)**

Statement of Comprehensive Income or Loss

Amounts in NOK 1,000	2022	2021
Profit/(loss) for the year	**(112,728)**	**(266,553)**
Other comprehensive income:		
Total comprehensive income for the year	**(112,728)**	**(266,553)**
Total comprehensive income is attributable to:		
Owners of Huddly AS	**(112,728)**	**(266,553)**

Statement of financial position

Amounts in NOK 1,000	Note	12/31/2022	12/31/2021	1/1/2021
ASSETS				
Non-current assets				
Goodwill	10	8,018	8,018	8,018
Intangible assets	10	159,291	117,958	89,795
Tangible assets	11	8,537	4,596	4,682
Right-of-use assets	12	12,520	13,883	4,737
Investment in subsidiary	20	74,107	73,025	-
Deferred tax asset		-	-	-
Other non-current receivables	13	19,000	10,000	-
Total non-current assets		**281,473**	**227,479**	**107,231**
Current assets				
Inventories	14	14,887	15,728	3,238
Consignation inventories	14	117,864	56,043	41,141
Trade receivables	15	71,842	97,374	59,270
Other current receivables	15	41,494	38,820	27,534
Cash and cash equivalents	16	183,077	324,028	125,962
Total current assets		**429,165**	**531,993**	**257,145**
TOTAL ASSETS		**710,638**	**759,473**	**364,376**

Statement of financial position

Amounts in NOK 1,000	Note	12/31/2022	12/31/2021	1/1/2021
EQUITY AND LIABILITIES				
Equity				
Share capital	17	135	135	120
Share premium		468,129	508,285	230,502
Other paid in capital		306,889	282,819	20,929
Retained earnings		(390,599)	(277,871)	(11,318)
Total equity		**384,554**	**513,369**	**240,232**
Non-current liabilities				
Other non-current liabilities	18	7,650	32,132	8,956
Total non-current liabilities		**7,650**	**32,132**	**8,956**
Current liabilities				
Lease liabilities (current portion)	12	12,674	13,911	5,037
Trade payables		35,218	70,232	42,571
Current tax payables		-	-	-
Consignation liabilities	19	117,864	56,043	41,141
Other current liabilities	19	152,677	73,785	26,441
Total current liabilities		**318,433**	**213,972**	**115,189**
Total liabilities		**326,084**	**246,104**	**124,144**
TOTAL EQUITY AND LIABILITIES		**710,638**	**759,473**	**364,376**

Oslo, 9 May 2023

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Jostein Devold	**Kristian Kolberg**	**Per Kåre Haug Kogstad**	**Graham Spencer Williams**
Chairman	*Board member*	*Board member*	*CEO*

Statement of changes in equity

Amounts in NOK 1,000	Note	Share capital	Share premium	Other Paid in Capital	Retained earnings	Total equity
Balance at 1 January 2021		**120**	**230,502**	**11,591**	**(24,917)**	**217,296**
Adjustments from NGAAP to Simplified IFRS	23	-	-	9,338	13,599	22,937
Balance at 1 January 2021		**120**	**230,502**	**20,929**	**(11,318)**	**240,232**
Profit/(loss) for the year					(266,553)	(266,553)
Total comprehensive income/(loss) for the year		-	-	-	(266,553)	(266,553)
Issuance of shares		16	277,783			277,799
Share-based payment to employees				261,891		261,891
Share repurchase				-		-
Resale of own shares		-	-	-	-	-
Balance at 31 December 2021		**135**	**508,285**	**282,819**	**(277,871)**	**513,369**
Profit/(loss) for the year					(112,728)	(112,728)
Total comprehensive income/(loss) for the year					(112,728)	(112,728)
Share-based payment to employees				24,399		24,399
Share repurchase			(40,157)	(329)		(40,486)
Balance at 31 December 2022		**135**	**468,129**	**306,889**	**(390,599)**	**384,554**

Statement of cash flows

Amounts in NOK 1,000	**Note**	**2022**	**2021**
Cash flows from operating activities			
Profit/(loss) before income tax		(112,728)	(266,553)
Adjustments for			
Depreciation and amortization	10,11,12	52,661	33,263
Share-based payments expense		24,399	261,891
Change in trade and other receivables		25,532	(38,104)
Change in trade payables		(35,014)	27,661
Change in other current assets and other liabilities		45,385	37,019
Net cash inflow from operating activities		**236**	**55,178**
Cash flows from investing activities			
Payment for property, plant and equipment	11	(7,635)	(2,198)
Payment for investments in intangible assets	10	(73,779)	(53,374)
Other investing activities		(1,082)	(73,025)
Net cash (outflow) from investing activities		**(82,496)**	**(128,597)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		-	277,799
Share repurchase		(40,486)	-
Repayments of lease liabilities	12	(17,717)	(6,278)
Paid interest on lease liabilities	12	(488)	(35)
Net cash inflow from financing activities		**(58,691)**	**271,486**
Net increase/(decrease) in cash and cash equivalents		**(140,952)**	**198,066**
Cash and cash equivalents as of 1 January		324,028	125,962
Cash and cash equivalents as of 31 December		**183,077**	**324,028**

Notes to the financial statements

1. General Information

Huddly AS (the Company), the parent company of Huddly Group (Huddly or the Group) is a private limited liability Company incorporated and domiciled in Norway. The address of its registered office is Haakon VIIs gate 5, 0161 Oslo, Norway. The company is listed on Euronext Growth (Oslo) and has the ticker “HDLY”

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

These financial statements have been approved for issuance by the Board of Directors on 9 May 2023. The Company has converted to IFRS from Simplified IFRS as of 1 January 2022, with a transition date of 1 January 2021. See note 23 for the conversion details.

2. General accounting principles

The general accounting policies applied in the preparation of these financial statements are set out below. Specific accounting principles are described in the relevant notes.

Basis of preparation

The financial statements of Huddly AS are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), and additional disclosure requirements in the Norwegian Accounting Act as effective of 31 December 2022.

The financial statements are presented in Norwegian kroner (NOK), which corresponds to the functional currency of the Company and have been rounded to the nearest thousand unless otherwise stated. As a result of rounding adjustments, amounts and percentages may not add up to the total.

The financial statements are prepared on a going concern basis. The financial statements have been prepared on a historical cost basis.

Foreign currency translation

Monetary balances in foreign currencies are translated into the functional currency at the exchange rates on the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Subsidiaries

Shares in the subsidiary Huddly Inc. are valued at cost and tested for impairment. The cost includes debt to equity conversions.

Classification of assets and liabilities

An asset is classified as current when it is expected to be realized or sold, or to be used in the Company's normal operating cycle or falls due or is expected to be realized within 12 months after the end of the reporting period. Other assets are classified as non-current assets. Liabilities are classified as current when they are expected to be settled in the normal operating cycle of the Company or are expected to be settled within 12 months of the end of the reporting period, or if the Company does not have an unconditional right to postpone settlement for at least 12 months after the balance sheet date.

Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses. The Company has determined that the Management team are the chief operating decision maker.

The segment information is reported in accordance with the reporting to the Management team (the chief operating decision makers) and is consistent with financial information used for assessing performance and supporting the Company's direction and strategy, resource allocation and acquisition activities. The Company has identified one segment. The Company is monitored at income statement, balance sheet and cash flow.

Use of judgements and estimates

Estimates and assumptions

Management has used estimates and assumptions that have affected assets, liabilities, revenues, expenses and information on potential liabilities. Future events may lead to these estimates being changed. Estimates and their underlying assumptions are reviewed on a regular basis and are based on historical experience and other factors. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

Management has, when preparing the financial statements, made certain significant assessments based on critical judgment when it comes to application of the accounting principles.

Material exercise of judgment and estimates relate to the following matters:

- Consignation Inventory, note 14

3. Revenue

Accounting principles

Revenue

The Company has revenue from sale of various types of cameras to be used in meeting rooms.

Revenue from contracts with customers is recognized when persuasive evidence of an arrangement exists, delivery has occurred as well as risk and control, the fee is fixed or determinable, and collectability is reasonably assured. Currently all revenue is recognized at a point in time.

The Company accrues for warranty costs, sales returns, and other allowances and as there are no historical history the Company has taken a conservative estimate until such history is established. Shipping and handling fees billed to customers are included in revenue, with the associated costs included in cost of sales. Revenue is shown net of value-added tax, estimated returns, rebates, and discounts and after eliminated sales within the Company.

Trade receivables

Trade receivables are initially recognized at fair value. Trade receivables are non-interest bearing and trading terms range from 30 to 45 days and therefore classified as current.

Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company fulfils the performance obligations under the contract. Normally, The Company invoices at the time of revenue recognition, thus contract liabilities are rarely recognized.

The Company does not have any costs to obtain or fulfil contracts that are recognized as an asset.

Revenue from customers

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

Revenue from costumers	2022	2021
Strategic partners %	79%	61%
Channel partners %	21%	39%
Total	**100%**	**100%**

Amounts in NOK 1,000		
Strategic partners	355,668	206,270
Channel partners	95,929	130,568
Revenue from customers	**451,597**	**336,838**

Revenue by geography

In presenting the geographic information, revenue has been based on the geographic location of customers.

Amounts in NOK 1,000	2022	2021
EMEA/APAC	134,450	117,136
Americas	317,146	219,702
Revenue from customers	**451,597**	**336,838**

Information about major customers

The Company's conducts its sales through one revenue segment. Of the Company's total revenue base per 2022, the 2 largest customers represent 79% of total revenue (61% in 2021). No other customer represents more than 10% of the Company's revenue.

4. Employee benefit expense

Accounting principles

Pension plans

The Company has a defined contribution plan for some of its employees. The Company's payments are recognized in the profit or loss as an employee benefit expenses for the year to which the contribution applies.

Specification of employee benefit expense

Employee benefit expense

Amounts in NOK 1,000	**2022**	**2021**
Wages and salaries	103,315	63,364
Share-based payment to employees	24,399	261,891
Legal settlement on Share-based synthetic options	-	75,000
Social security tax	17,127	9,628
Social security tax, share-based payment to employees	(14,216)	17,713
Social security tax, legal settlement on share-based synthetic options	-	4,263
Pension costs	5,827	2,519
Other personnel costs	10,261	13,619
Capitalized personnel cost	(55,498)	(38,186)
Total personnel cost	91,215	409,811

Total personnel cost is presented net of government grants, refer note 8.

The Company had an average of 110 full time employees on payroll in 2022, compared to 77 employees in 2021.

The Company's pension schemes satisfy the requirements in local country legislation regarding mandatory occupational pension act. 114 employees are registered in pension schemes as of December 31, 2022, compared to 98 employees in 2021.

Share-based payments to employees are equity settled and booked directly against the comprehensive statement of equity. Accrued social security are cash settled and booked directly against the statement of comprehensive income. Accrued social security on share-based payments to employees are measured per option based on the reporting period ending share price less the strike price and

Legal settlement on Share-based synthetic options and social security on legal settlement of Share-based payments are included in Employee benefit expense in 2021. More information on settlement can be found in Note 7 Share-based payments.

5. Other operating expenses

Other operating expenses

Amounts in NOK 1,000	2022	2021
Professional services	27,409	16,205
Advertising	7,066	2,661
Shipping	1,773	1,674
Rent and leases	4,384	1,763
Travel	1,813	134
Utilities	-	-
Other costs	103,662	2,685
Total other operating expenses	**146,106**	**25,122**

In 2022, Other costs include TNOK 26,483 relating to Inter-company Marketing service agreement invoiced from Huddly Inc. to Huddly AS. In addition, the Company has accrued for additional TNOK 70,152 relating to historical cost in Huddly Inc and expensed in 2022. Total personnel cost is presented net of government grants, refer note 8.

Included within Professional services for 2021 is TNOK 1,731 relating to legal settlement of Share-based synthetic option settlement. More information on settlement can be found in Note 7 Share based payments.

Audit fee

Specification of auditors' fees

Amounts in NOK 1,000	2022	2021
Statutory audit	650	163
Other assuranse services	50	75
Other non-assurance services	150	-
Total	**850**	**238**

Fees are presented excluding VAT. Statutory audit fee to the Company's current engaged auditor, was TNOK 500 for 2022. In addition, there were other non-assurance services of TNOK 150. The remaining balance relates to the company's former auditors.

6. Taxes

Accounting principles

The tax expense/(Income) for the period comprises current tax and changes in deferred tax. Tax expense is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax expense is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the local financial statements. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Deferred tax assets are calculated with the nominal corporate tax rate in Norway. At balance sheet date, the recognition criteria in IAS 12 were not met for Huddly AS.

Carried forward tax loss in Norway amount to 94 MNOK at 31 December 2022. There is no expiration date of carried forward losses in Norway.

Descriptions

Specification of income tax expense

Amounts in NOK 1,000	2022	2021
Income tax payable	-	-
Deferred tax income	-	-
Total income tax expense	**-**	**-**

Specification of deferred tax balances:

Amounts in NOK 1,000	2022	2021	1/1/2021
Non-current assets	9,137	752	835
Accounts receivable	61	54	1,340
Other provisions	1,907	1,711	3,142
Other temporary differences	13,857	(1,577)	(1,604)
Tax losses carried forward	20,715	21,138	-
Total deferred tax assets relating to temporary differences and losses	45,677	22,077	3,713
Non-recognized deferred tax assets	(45,677)	(22,077)	(3,713)
Carrying value deferred tax assets	**-**	**-**	**-**
Tangible assets	-	-	-
Other temporary differences	-	-	-
Carrying value deferred tax liabilities	-	-	-

Changes in net deferred tax assets/liabilities

Amounts in NOK 1,000	2022	2021
As of 1 January	-	-
Recognized in the statement of profit/(loss)	-	-
Acquistions of subsidiaries	-	-
Translation differences	-	-
As of 31 December	**-**	**-**

Reconciliation of effective tax rate:

Amounts in NOK 1,000	2022	2021
Net income/(loss) before tax	(112,728)	(266,553)
Expected income tax assessed at 22 %	(24,800)	(58,642)
Adjusted for the tax effect of the following items:		
Permanent differences	1,210	42,056
Other	(9)	(1,780)
Deferred tax asset not reconginsed	23,599	18,365
Income tax expense (income)	**-**	**-**
Effective tax rate	**0%**	**0%**

7. Share-based payment

Accounting policies

Equity-settled, share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the grant date. The vesting period is the period over which all of the specified vesting conditions are to be satisfied. The fair value is expensed over the vesting period as an employee benefit expense, with a corresponding increase in equity.

The fair value at the grant date is determined using the Monte Carlo simulation option pricing model, which takes into account the exercise price, the life of the option, the current price of the underlying shares, the expected volatility of the share price, any dividends expected on the shares and the risk-free interest rate for the life of the option. The expected share price volatility is based on historical volatility for a selection of comparable listed companies. The risk-free interest rate is based on zero-coupon government bonds with a term equal to the expected term of the option being valued.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself. The charges are treated as cash-settled, share-based payments and measured at fair value each reporting date. The fair value measurement for the social security liability per option is based on the reporting period ending share price less the strike price. As at 31 December 2022, the Company had accrued 3,841 TNOK (18,057 TNOK as at 31 December 2021) in social security contributions on share-based payments.

All vested and partially vested options that are in-the-money are included in the fair value measurement of the social security liability. The remeasurement change is recognized as an expense in profit or loss and as an adjustment to the social security liability in the statement of financial position.

When the options are exercised, the appropriate number of shares are transferred to the employee. The proceeds received from the exercise of the options (net of any directly attributable transaction costs) are credited directly to equity.

Descriptions

Synthetic options

The Company had per 01 January 2021 2,362,333 outstanding synthetic options. Each synthetic option gave the owner the right to receive a one-time payment up to the value of one share in the company in a change of control event, deducted by exercise price per share. A change of control event was defined as a sale of more than 50% of the ordinary shares in Huddly AS to a single buyer or two or more buyers acting in concert, over a continuous period of 12 months.

As the Company considers a change of control event as highly unlikely, no expenses or corresponding liability has been recognized for the synthetic option program.

In February 2021 the board offered existing employees to convert synthetic options to options under the 2021 incentive plan under certain criteria and this plan was closed for new grants.

As outlined in the stock exchange announcement dated 21 May 2021, Huddly AS was sued by a group of former employees for compensation based on certain synthetic options. The Company reached a settlement with the group as set out in the stock exchange notice 7 December 2021.

The settlement totals TNOK 75,000 plus social security tax and a total expense of TNOK 80,994 was initially recognized as Employee benefit expense and Other operating expense in 2021.

The first installment of TNOK 25,000 was paid in December 2021. Employee benefit expenses in 2021 includes accrued social security tax of TNOK 1,878 related to the first installment. Total expensed for the second and third installment is TNOK 26,487 and TNOK 25,897 respectively, based on NPV calculation which is discounted with a risk-free interest rate of 3 %. Other operating expenses include legal expenses of TNOK 1,731 directly related to this case. Total expense recognized on settlement was TNOK 80,994 in 2021.

After the settlement there has been no changes to the synthetic option program which at 31 December 2022 has 5 prior employees participating.

There were no changes in synthetic options in 2022.

Overview synthetic options	**2022**	**2021**
Options granted, outstanding 01.01	5,871,111	2,362,333
Options granted, 01.01 - 29.01	-	24,000
Adjusted for 1:16 share split, EGM 29.01	-	35,794,995
Converted to 2021 incentive plan 15.02	-	(21,968,000)
Synthetic options settled, 07.12	-	(10,342,217)
Options granted, outstanding 31.12	**5,871,111**	**5,871,111**
Options vested, closing balance 31.12	**5,871,111**	**5,871,111**

The weighted average strike price for Synthetic option program on options granted and vested was 0.95 in 2022 and 2021.

Employee options

As at 31 December 2022 the Company's only active share granting incentive program is the 2021 incentive plan implemented in January 2021, directed at employees and directors. As described above, existing employees were offered to convert synthetic options to options under the 2021 incentive plan under certain criteria. Participants are granted options to subscribe for shares in the company based on a pre-determined strike price.

The amendment of the synthetic option plan to the 2021 incentive plan is reflected in 2021 through a significant recognition of share based payment expenses related to replacement options already vested at the amendment date.

The 2021 options are as a general rule subject to a three-year vesting schedule. Further, the options may only be exercised in a coordinated process led by the company's board. This implies that the participant may only exercise a number of options each year equal to 20% of its total number of options.

For new grants in 2022, the exercise price per Share equals the average end of month price per ordinary share in the Company for the first six months of 2022, for options granted between 01.07.2022 and 31.12.2022, the exercise price per Share equal to the average end of month price per ordinary share in the Company for the last six months of 2022.

New grants in 2022 have an exercise price varying between NOK 4,85 and NOK 10,68 with a weighted average of NOK 8,68. The weighted exercise price for all outstanding options regardless of option plan is NOK 3,77.

Some Award Agreements state that if an employee leaves after a given time, the strike price would increase from their original strike price to NOK 7.81 (given that the original strike price is below this threshold). This reduces the calculated fair value of the options.

As of 31 December, there are 130 employees and 4 directors participating in the 2021 incentive plan.

In 2022, The Company provided an extraordinary grant to key employees and management, which have a vesting period of between 3 and 5 years. Vesting criteria for grants to key employees and Management are not subject to any certain performance criteria.

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. The outstanding options under the 2017 Incentive plan were granted in 2018 and will expire in 2023. Exercise price is NOK 0.000625 per share. As of 31 December, there are 7 employees participating in the 2017 incentive plan and the plan is closed for new grants.

Fair value of the equity instruments is measured at grant date and recognized over the vesting period, for both incentive plans. All equity instruments expire after five years from grant date. Share-based payments included in salary costs are TNOK 10,183 and TNOK 286,001 in 2022 and 2021 respectively.

2017 incentive plan	**2022**	**2021**
Options granted, outstanding 01.01	266,672	173,123
Adjusted for 1:16 share split, EGM 29.01	-	2,596,845
Options granted	-	-
Options exercised	-	(2,476,624)
Options forfeited during the yeaar	-	(26,672)
Options granted, outstanding 31.12	**266,672**	**266,672**

2021 incentive plan	**2022**	**2021**
Options granted, outstanding 01.01	18,992,588	-
Converted from synthetic options 15.02	-	21,968,000
Options granted	7,925,000	706,500
Options exercised	-	(3,500,800)
Options forfeited during the yeaar	(492,777)	(181,112)
Options granted, outstanding 31.12	**26,424,811**	**18,992,588**

The weighted average strike price for the 2017 Incentive plan on options granted and vested was 0.000625 in 2022 and 2021.

The weighted average strike price for the 2021 Incentive plan on options grated in 2022 was 3.78 and 3.09 in 2021. The weighted average strike price for the 2021 Incentive plan on options vested in 2022 was 3.67 and 3.05 in 2021.

Overview of outstanding options to key management

Share options 2022

2021 incentive plan	Granted in 2022	Forfeited in 2022	Exercised in 2022	Total outstanding as at 3.12	Weighted average exercise price	Remaining contractual life*
Alexander Woxen, CEO	3,000,000	3,000,000	-	-	-	-
Stein Ove Eriksen, CPO	-	-	-	1,344,000	2.50	3.08
Ragnar Kjos, CFO	500,000	500,000	-	-	-	-
Knut Helge Teppan, CDO	750,000	-	-	1,262,000	5.23	5.43
Vegard Hammer, CTO	750,000	-	-	2,350,000	1.66	3.48
Øystein Drageset, CFO (former)	-	-	-	3,200,000	1.81	3.08

Share options 2021

2021 incentive plan	Granted in 2021	Forfeited in 2021	Exercised in 2021	Total outstanding as at 31.12	Weighted average exercise price	Remaining contractual life*
Graham S. Williams , CEO	-	-	-	960,000	2.50	4.08
Stein Ove Eriksen, CPO	-	-	-	1,344,000	2.50	4.08
Øystein Drageset, CFO	-	-	-	3,200,000	1.81	4.08
Knut Helge Teppan, CDO	-	-	-	512,000	2.50	4.08
Vegard Hammer, CTO	-	-	-	1,600,000	0.81	4.08

*weighted average remaining contractual life of options outstanding at of the period

There were no key management enrolled in the Synthetic option program or 2017 Incentive program in 2022 or 2021.

Monte Carlo parameters

Monte Carlo Option value on 2021 incentive plan	2022	2021
Shareprice (NOK)	4.85 - 10.68	10.68 - 13.97
Strike price (NOK)	8.38	12.13
Risk-free interest rate	2.06%	0.89%
Expected life - years	3.61	3.00
Expected dividend (NOK)	0.00	0.00
Volatility	55.9 %	59.9 %
Option fair value (NOK)	**1.37 - 4.55**	**2.63 - 7.84**
Number of options granted per tranche	7,416,000	1,679,500
Total option fair value at grant date (NOK)	**27,058,361**	**9,292,177**

Several awards have been granted throughout 2022 and 2021, above table shows variance in share price based on changes in company share price as at time of the award. The Vesting period from grant date is 3 years.

8. Government grants

Accounting principles

Government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Grants related to R&D of capitalized intangible assets are recognized as reductions in capitalized costs.

Description

The Company's project: 331274 for 2022 has been approved by Norwegian Research Council as a research and development grant as per Norwegian Tax Law §16-40 (Skattefunn procedure). Payment of TNOK 4,750 was received as part of the final tax settlement for 2021 and during the autumn of 2022. The deduction percentage for 2022 and 2021 for all internal research and development is set at 19 percent of the allowed total project limit.

2022:

Amounts in NOK 1,000	**Amount**	**Reduced salary cost**	**Reduced other cost**	**Reduced capitalized employee benefit expense**	**Reduced capitalization of other additions**
Skattefunn	4,750	1,172	245	2,756	576
Total	**4,750**	**1,172**	**245**	**2,756**	**576**

2021:

Amounts in NOK 1,000	**Amount**	**Reduced salary cost**	**Reduced other cost**	**Reduced capitalized employee benefit expense**	**Reduced capitalization of other additions**
Skattefunn	4,750	1,243	175	2,922	411
Total	**4,750**	**1,243**	**175**	**2,922**	**411**

9. Earnings per share

Referring to note 9 in the consolidated financial statements for the Group.

10. Intangible assets

Accounting principles

Costs to develop the Company's products that are incurred subsequent to the establishment of technological feasibility are capitalized if significant, when it is probable that the expected future economic benefits that are attributable to the assets will flow to the entity, and when the cost of the asset can be measured reliably. Intangible assets are measured initially at cost and amortized using the straight-line amortization method over the estimated useful life.

Capitalized development costs include costs directly attributable to development of the intangible, such as personnel expenses and consultancy services. Otherwise, such expenses are expensed as and when incurred.

Judgment is required in evaluating whether subsequent development expenditure is to be capitalized as an internally generated intangible asset or expensed as incurred. The key element of judgment is whether the development project will generate incremental probable future economic benefit in form of a new product, or not.

Descriptions

Capitalized development cost was TNOK 73,779 and TNOK 53,374 in 2022 and 2021 respectively. The Company estimates the economic life to be 5 years.

Amounts in NOK 1,000	Development	Licenses	Domains and Licenses	Goodwill	Total
Cost					
Cost at 1 January 2021	**119,226**	**6,983**	**224**	**8,018**	**134,451**
Capitalized employee benefit expense	38,186	-	-	-	**38,186**
Other additions	15,188	-	-	-	**15,188**
Disposals	-	-	-	-	**-**
Cost at 31 December 2021	**172,600**	**6,983**	**224**	**8,018**	**187,824**
Capitalized employee benefit expense	55,498	-	-	-	**55,498**
Other additions	18,281	-	-	-	**18,281**
Disposals	-	-	-	-	**-**
Cost at 31 December 2022	**246,379**	**6,983**	**224**	**8,018**	**261,603**
Amortization and impairment					
Accumulated at 1 January 2021	**31,789**	**4,849**	**-**	**-**	**36,638**
Disposals	-	-	-	-	**-**
Amortization for the year	23,077	2,134	-	-	**25,211**
Impairment	-	-	-	-	**-**
Accumulated at 31 December 2021	**54,866**	**6,983**	**-**	**-**	**61,849**
Disposals	-	-	-	-	**-**
Amortization for the year	32,446	-	-	-	**32,446**
Impairment	-	-	-	-	**-**
Accumulated at 31 December 2022	**87,312**	**6,983**	**-**	**-**	**94,294**
Carrying amount at 31 December 2021	**117,734**	**-**	**224**	**8,018**	**125,976**
Carrying amount at 31 December 2022	**159,067**	**-**	**224**	**8,018**	**167,309**
Amortization method	**Straight-line 5 years**	**Straight-line 3 years**	**Indefinite life**	**Indefinite life**	

11. Tangible assets

Accounting principles

Property, plant and equipment are stated at historical cost, less accumulated depreciation and any impairment charges. Depreciation is calculated on a straight-line basis over the assets' expected useful life and adjusted for any impairment charges. Ordinary repair and maintenance costs are charged to the income statement during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit. Major assets with different expected useful lives are reported as separate components.

Property, plant and equipment are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

The difference between the asset's carrying amount and its recoverable amount is recognized in the income statement as an impairment loss. Property, plant and equipment that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Descriptions

Amounts in NOK 1,000	Machines	Office equipment	Tools	Fixtures etc	Total
Cost at 1 January 2021	**136**	**2,397**	**5,161**	**1,149**	**8,844**
Additions	-	1,451	675	72	2,198
Disposals	-	-	-	-	-
Translation difference	-	-	-	-	-
Cost at 31 December 2021	**136**	**3,848**	**5,837**	**1,221**	**11,042**
Additions	-	1,449	5,309	878	7,635
Disposals	-	-	-	-	-
Translation difference	-	-	-	-	-
Cost at 31 December 2022	**136**	**5,297**	**11,145**	**2,099**	**18,678**
Depreciation and impairment					
Accumulated at 1 January 2021	**129**	**1,319**	**2,196**	**518**	**4,162**
Depreciation for the year	7	734	1,313	231	2,285
Impairment	-	-	-	-	-
Disposals	-	-	-	-	-
Translation difference	-	-	-	-	-
Accumulated at 31 December 2021	**136**	**2,052**	**3,509**	**749**	**6,447**
Depreciation for the year	-	1,196	2,153	345	3,694
Impairment	-	-	-	-	-
Disposals	-	-	-	-	-
Translation difference	-	-	-	-	-
Accumulated at 31 December 2022	**136**	**3,248**	**5,662**	**1,094**	**10,141**
Carrying amount at 31 December 2021	-	**1,796**	**2,328**	**472**	**4,596**
Carrying amount at 31 December 2022	-	**2,048**	**5,483**	**1,005**	**8,537**
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line	
Estimated useful life	3 years	3 years	3-5 years	5 years	

12. Leases

Accounting principles

The Company has recognized right of use assets and lease liabilities for all leases with a term of more than 12 months and where the underlying asset has a value of more than NOK 50 thousand.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees.
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Right-of-use assets and lease liabilities

The Company's leased assets include offices. The Company's right-of-use assets are categorized and presented in the table below.

Amounts recognized in the balance sheet

Right of use assets

Amounts in NOK 1,000	**31/12/2022**	**31/12/2021**	**1/1/2021**
Offices	12,520	13,883	4,737
Total right-of-use assets	12,520	13,883	4,737
Useful life	7 months	1 year	1 year
Depreciation method	Straight-line	Straight-line	Straight-line

Lease liabilities

Amounts in NOK 1,000	**31/12/2022**	**31/12/2021**	**1/1/2021**
Current	12,674	13,911	5,037
Non-Current	-	-	-
Total lease liability	12,674	13,911	5,037

Amounts recognized in the statement of profit or loss

Amounts in NOK 1,000	**2022**	**2021**
Depreciation of right of use asset	16,521	5,767
Interest expense	488	35
Expenses relating to short-term leases	3,910	1,475
Expenses relating to leases of low-value	473	288

Reconciliation of lease arising from financing activities

Reconciliation of lease arising from financing activities

Amounts in NOK 1,000	**2022**	**2021**
Opening balance 1 January	13,911	5,037
Lease payments during the year	(17,717)	(6,278)
New leases recongised during the year	16,968	15,188
Interest exepense on lease payments	(488)	(35)
Closing balance 31 December	12,674	13,911

Right-of-use asset and lease liability additions during the year ending 31 December 2022 was TNOK 16,968 and relates to the extension to the original lease period and additional office spaces on the Company’s main office premises in Oslo during the year.

The Company has no other lease agreements recognized under IFRS 16.

For the year ended 31 December 2021 additions of TNOK 15,188 were related to the same office premises in Oslo and was effective as of 1st December 2021.

The Company's leased office space includes no right of renewal which could be exercised during the last periods of the lease term and no assessment was made on potential future lease payments as at commencement date in 2022 and 2021.

In 2022, a new office lease agreement was signed on Stortorvet 7, 0155 Oslo, commencing 1 July 2023. The lease period is 6 years. Huddly AS as a lessee, initially measures right of use asset and lease liability at the commencement date of the lease. This is the date on which a lessor makes an underlying asset available for use by a lessee. As at 31 December 2022, the underlying asset was not yet made ready, and as such, no recognition was made with regards to the new office lease agreement. The Company's potential future nominal lease payments not included in lease liabilities related to new office lease agreement not yet made ready is 16 MNOK per annum as at year end December 2022.

13. Other non-current receivables

Accounting principles

The Company initially recognizes other non-current receivables at fair value, and subsequently measures it at amortized cost. Interest income on the receivable is recognized as other financial income.

Descriptions

The Company has as of 31 December 2022 other non-current receivables of in total TNOK 19,000 (TNOK 10,000 as of 31 December 2021).

The amount consists of receivables with third parties. The receivables are reviewed for impairment on an ongoing basis based on the 3-stage expected credit loss model. There have been no impairments of other non-current receivables as of 31. December 2022.

14. Inventories

Accounting principles

Inventory is valued at the lower of historical cost and net realizable value. The historical cost is calculated in accordance with the first in, first out principle. The historical cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of conversion includes costs directly related to the units of production, as well as fixed and variable production overheads that are incurred in converting materials into finished goods.

Net realizable value is the estimated selling price in the operating activities less estimated costs that are necessary to make a sale. Selling costs includes cost of logistic (warehouse, customs, freight etc.). Goods in transit are recognized at their historical cost.

When inventories are sold, the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized.

Descriptions

Amounts in NOK 1,000	2022	2021	1/1/2021
Components	14,887	15,728	3,238
Consignation inventories	117,864	56,043	41,141
Net financial items	**132,752**	**71,771**	**44,378**

The Company buys finished goods from contractual manufacturers which purchase components and produce finished goods. Normally the Company purchases finished goods for direct sale, but some goods and components are purchased for strategic reasons and presented as components.

During the production of finished goods, there are raw materials and components in the physical possession of the contractual manufacturers, that cannot be used for any other purpose than producing Huddly products. Management has assessed whether the Company controls these raw materials, and using significant judgement management concluded that these raw materials are a present economic resource controlled by the Company based on the economic and contractual relationships between the Company and their production supplies. These raw materials are therefor recognized in the statement of financial position as consignation inventories with corresponding consignation liabilities.

Consignation inventories arise from a reassessment of the accounting treatment of the ultimate ownership of risk related to the manufacturers' inventory according to IFRS. Any and all assessments related to the contractual rights and obligations to the inventory remain unchanged. Both the asset and the corresponding consignation liability will be reduced upon purchase of a finalized product. As such, the cash outflow will first occur once the finalized product is purchased.

15. Trade receivables and other receivables

Accounting principles

Trade receivables are initially measured at fair value. Trade receivables are non-interest bearing and trading terms range from 30 to 45 days and therefore classified as current.

Trade receivables and other receivables are reflected in the balance sheet at nominal value less provision for estimated losses.

Loss allowance and risk exposure

The Company applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on payments profiles, customer contracts in the previous years and historical losses.

Receivables are grouped into categories and the expected loss rates reflect the Company's ability to collect once receivables are overdue.

Descriptions

Trade receivables

Amounts in NOK 1,000	**2022**	**2021**	**1/1/2021**
Trade receivables	72,092	97,653	59,271
Loss allowance	(250)	(279)	(250)
Total	**71,842**	**97,374**	**59,270**

The table below summarizes the trade receivable position according to their maturity on 31 December 2022 and the basis for determining loss allowance:

Amounts in NOK 1,000	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 120 days past due**	**Total**
Expected loss rate	0.1%	0.5%	5%	33%	
Gross carrying amount- trade receivables	65,590	5,013	1,187	303	72,092
Loss allowance - trade receivables	**66**	**25**	**59**	**100**	**250**

The table below summarizes the trade receivable position according to their maturity on 31 December 2021 and the basis for determining loss allowance:

Amounts in NOK 1,000	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0.1%	0.5%	5%	33%	
Gross carrying amount- trade receivables	76,089	19,267	2,281	15	97,653
Loss allowance - trade receivables	68	94	112	5	279

Payment terms are on average 30 to 45 days. Accounts receivable due are not interest bearing. It is accrued TNOK 250 for loss on accounts receivable in 2022 and TNOK 279 for 2021.

Other short-term receivables

Amounts in NOK 1,000	**2022**	**2021**	**1/1/2021**
Other short-term receivables	33,343	30,282	23,742
Prepaid expenses	3,403	4,575	3,792
Deposits	4,748	3,962	0
Total other receivables	**41,494**	**38,820**	**27,534**

Other short-term receivables are primarily made up of Skattefunn grant and receivable on value added tax, and the amount has increased due to higher activity level in the Company. Deposits comprise of deposit for office premises.

16. Cash and cash equivalents

Accounting principles

Cash and cash equivalents include bank deposits. The Company considers all highly liquid assets with an original or remaining maturity of three months or less at the date of acquisition to be cash equivalents. The cash flow statement is presented using the indirect method.

Descriptions

Amounts in NOK 1,000	**2022**	**2021**	**1/1/2021**
Bank deposits	183,077	324,028	125,962
Total cash and cash equivalents	**183,077**	**324,028**	**125,962**

Amounts in NOK 1,000	**2022**	**2021**	**1/1/2021**
Restricted cash included in the above:	5,517	10,569	5,693
Advance payment of social taxes	5,517	9,978	-
Deposit for office premises	-	591	-
Cash collateral guarantee to Polish VAT fiscal representative			5,693

Restricted cash at year end 2022 was TNOK 5,517 and is related to advance payment of social taxes. In 2021, restricted cash was TNOK 10,569 and included advance payment of social taxes and deposit for office premises. On 1/1/2021, restricted cash was TNOK 5,693 and included cash collateral guarantee to Polish VAT fiscal representative.

17. Share capital and shareholder information

Ownership structure

Huddly AS has 216,328,048 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 1,646 shareholders on 31 December 2022. Below are the 20 largest shareholders.

Shareholder name	Number of shares	Ownership
CLEARSTREAM BANKING S.A.	23,339,499	11%
GJEH Pty Ltd ATF GJEH Family Trust	14,324,839	7%
MERTOUN CAPITAL AS	13,845,471	7%
STAFF HOLDING AS	8,472,717	4%
SOM HOLDING AS	7,970,928	4%
MP PENSJON PK	7,330,959	3%
ATF G+J Williams Super Fund	6,858,272	3%
KOLBERG MOTORS AS	6,628,000	3%
PORTIA AS	6,400,000	3%
The Northern Trust Comp	6,355,028	3%
The Bank of New York Mellon SA/NV	5,900,941	3%
HØYLANDET BYGGUTLEIE AS	5,041,264	2%
SKIPS AS TUDOR	4,950,000	2%
BJØBERG EIENDOM AS	4,042,080	2%
JAHATT AS	3,944,636	2%
MULTIPLIKATOR AS	3,915,000	2%
MELVER INVEST AS	3,315,590	2%
KORINVEST AS	3,216,832	2%
TTC INVEST AS	3,000,000	1%
All others	72,175,976	34%
Total	**211,028,032**	**100 %**

The Company owns 5,300,016 treasury shares and has 211,028,032 outstanding shares in the market.

Changes in share capital

In 2021, at the extraordinary general meeting a decision was passed to split each of the Huddly AS shares at a ratio of 1:16 (1 existing share give 16 new shares). After the split, the share capital of the company is NOK 11,951,714 divided into 191,227,424 shares each having a nominal value of NOK 0.000625.

In conjunction with new shares in the Primary offering and subsequent listing on Euronext Growth in Q1 2021, the share capital increased by NOK 11,952 by issuing 19,123,200 new shares, each at a nominal value of NOK 0.000625. The subscription price was NOK 15.50 per share.

On new shares based on the 2017 Incentive Plan, share capital increased with NOK 1,547.89 by issuing 2,476,624 new shares each at a nominal value of NOK 0.000625. The subscription price was NOK 0.000625 per share. Of the total proceeds of NOK 1,547.89, all was allocated as share capital in the statement of financial position.

On new shares based on the new 2021 Incentive Plan, share capital was increased with NOK 2,188 by issuing 3,500,800 new shares, each at a nominal value of NOK 0.000625. The subscription price was NOK 2.046655164533821 per share.

The share capital on 31 December 2022 was NOK 135,205. Total issued share capital during the 2021 was total NOK 15,688 and closed at NOK 135,205 on 31 December 2021. The share capital on 1 January 2021 NOK 119,517.

In 2022, the Company bought back 5,300,016 treasury shares.

	Number of shares	Share capital
	Ordinary	**Share capital**
1 January 2021	**11,951,714**	**120**
Reverse 1:16 share split	**191,227,424**	**120**
Issue of share capital - OPTIONS	3,500,800	2
Issue of share capital - WARRANTS	2,476,624	2
Issue of share capital - PRIMARY	19,123,200	12
31 December 2021	**216,328,048**	**135**
Repurchase of treasury shares	5,300,016	-
31 December 2022	**211,028,032**	**135**

18. Long-term liabilities

Amounts in NOK 1,000	2022	2021	1/1/2021
Other long-term liabilities	-	25,897	-
Product warranty provision	7,650	6,235	8,956
Net financial items	**7,650**	**32,132**	**8,956**

The Company has a three-year product warranty on all products and has recognized a provision of 3 % on all direct manufacturing costs occurred over the last three years at 31 December 2022. This compared to a two-year product warranty and a 3 % provision in 2021.

Other long-term liabilities in 2021 include accrued settlement of synthetic option claim inclusive of associated social taxes. This has been reclassified to other short-term liabilities as of 31 December 2022.

19. Other short-term liabilities

Amounts in NOK 1,000	2022	2021	1/1/2021
Other short-term liabilities	56,807	67,109	21,575
Consignation liabilities	117,864	56,043	41,141
Accrued vacation pay	10,792	6,676	4,866
IC payable	85,078	-	-
Total other short-term liabilities	**270,541**	**129,828**	**67,581**

Other short-term liabilities include accrued social security tax, accrued social security on shared-based option payments and accrued settlement of synthetic option claim inclusive of associated social security taxes.

IC payable of TNOK 85,078 consists of the Inter-company Marketing service agreement invoiced from Huddly Inc. to Huddly AS not yet paid. In addition, the Company has accrued for additional TNOK 70,152 relating to historical cost in Huddly Inc and expensed in 2022. Refer to note 5. Other operating expenses for further information.

Consignation liabilities arise from a reassessment of the accounting treatment of the ultimate ownership of risk related to the manufacturers' inventory according to IFRS. Any and all assessments related to the contractual rights and obligations to the inventory remain unchanged. Both the liability and the corresponding consignation inventory will be reduced upon purchase of a finalized product. As such, the cash outflow will first occur once the finalized product is purchased.

20. Related party transactions

The Company's related parties are key management personnel and members of the Board, close members of the family of these, entities that are controlled or jointly controlled by any of these, any subsidiaries, and owners with significant influence. All transactions with related parties are priced at market conditions and there are no special conditions attached to them. As of 31 December 2022, there are no related party balance items as balance items.

Remuneration to leading personnel

Amounts in NOK 1,000	2022			2021		
		Other key			Other key	
	CEO	mng.	Board	CEO	mng.	Board
Salaries and wages	3,735	7,183	1,563	2,123	5,233	2,000
Pension benefits	72	215	-	68	131	-
Other benefits	-	-	1,350	-	-	450
Share based payments, exercised	-	-	-	4,108	16,344	4,891
Total key management compensation	**3,807**	**7,398**	**2,913**	**6,299**	**21,708**	**7,341**

The key management team, (2022 - Alexander Woxen, CEO. Stein Ove Eriksen, CPO. Ragnar Kjos, CFO. Knut Helge Teppan, CDO. Vegard Hammer, CTO. 2021 - Stein Ove Eriksen, CEO. Øystein Drageset, CFO. Knut Helge Teppan, CDO. Vegard Hammer, CTO), did not receive reimbursement or other financial benefits outside their normal duties as leaders. No loans or guarantees have been granted to senior executives, shareholders, etc.

There are no loans or pledges granted to the management group.

The Board signed a consultancy agreement with Graham S. Williams as Executive Chairman in August 2019. The agreement has been active for full year 2022 with a compensation of TNOK 1,563.

The fair value weighted average of share-based payments for granted options on the company's 2021 incentive plan relating to the board was TNOK 4,777 for 2022. The weighted average fair value of share-based payments for granted options on the company's 2021 incentive plan relating to key management was TNOK zero for 2022. There were no grants to either the Board of directors or key management in 2021.

All members of the management and the board are part of the company's 2022 incentive plan. Management and two board members participated in the option exercise and sale of shares as described in the Information Document published Date Month 2022, and the gain from sale of shares are shown in the table above.

Shares held by the board and management

Shares owned / controlled by Management, Board, and their related parties at 31 December 2022	Number of shares	Ownership
Graham S. Williams, CEO (GJEH Pty Ltd ATF GJEH Family Trust and ATF G+J Williams Super Fund)	21,183,111	10%
Jostein Devold, Chariman (Mertoun Capital AS and Leif Hübert)	13,845,471	6%
Stein Ove Eriksen, Co-Founder and Chief Product Officer (SOM Holding AS)	7,970,928	4%
Kristian Kolberg, Board member (Kolberg Motors AS, Multiplikator AS and children)	6,628,000	3%
Per K. H. Kogstad, Board member (Bjøberg Eiendom AS)	4,042,080	2%
Knut Helge Teppan, CDO (Knut Teppan Design AS)	2,400,000	1%
Ragnar Kjos, CFO	120,000	0%
Total	**56,189,590**	**26%**

Subsidiaries

Huddly AS is a 100% owner of Huddly Inc. (INC), based in the USA. In 2022, AS entered into a marketing service agreement with INC. As a result, Huddly AS had a cost of TNOK 26,493 to INC in 2022, and as of 31 December 2022 an intercompany payable towards INC of TNOK 14,926, compared to zero in 2021. The investment in Huddly Inc. amounts to NOK 74,106,916 as at end December 2022.

Transactions with related parties

Amounts in NOK 1,000

Related party	Relationship	Transaction type	2022	2021
Huddly INC	Subsidiary	Marketing service agreement	26,493	-
			26,493	**-**

In addition, the company recognized TNOK 70,152 in historical cost in Huddly Inc 2022 as a one off non-reoccurring expense. Refer to note 5. Other operating expenses for further information.

21. Financial Risk and Capital Management

The Company's financial risk and capital management is predominantly controlled by the finance and strategy department.

The Company is mainly exposed to the following risks: Market risk, credit risk and liquidity risk.

The Company has no interest-bearing debt and is not actively engaged in hedging of financial risk. Excess liquidity is invested in bank deposits. The Company operates with several currencies, of which the main currencies are NOK, USD and PLN. There is no active exchange rate risk hedging. The focus is on securing operational funding, and currency exchanges are conducted when liquidity in a certain currency is needed. In general, cash in foreign currencies are exchanged to NOK on a regular basis when deemed beneficial, meaning that the Company's cash deposits mainly consist of NOK amounts.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions; Recognized financial assets and liabilities not denominated in NOK	Cash flow forecasting; Sensitivity analysis	Continuous assessment of whether to engage in forwards and/or options hedging of FX
Credit risk	Trade receivables; Cash and cash equivalents	Aging analysis, credit ratings; Rolling cash flow forecasts	Credit assessment, regular following up of the outstanding balances
Liquidity risk	Other liabilities	Rolling cash flow forecasts; sensitivity analysis	Continuous monitoring of liquidity and assessment of potential need for debt facilities

Market risk - foreign exchange

The Company holds no material debt. The Company holds bank deposits mainly in the following currencies: NOK, USD, PLN. The main exposure to foreign currency is derived from accounts payable and accounts receivable in connection with the sale and purchase of goods in foreign currency, in addition to other operating expenses denominated in a foreign currency, such as foreign payroll and services. Finally, the exposure relates to foreign indirect tax receivables exposure.

The Company does not normally use contracts to hedge the foreign exchange exposure. The exposure is largely hedged through receipts and debts being denominated, directly or indirectly, in the same currency (a "natural hedge").

Pre-tax effect from a 10% change of exchange rate per year end

Sensitivity currency exposure	2022	2021
NOK depreciated 10% against USD	8,761	8,872
NOK depreciated 10% against PLN	3,411	1,809

Credit risk

The Company's credit risk is related to the sale of goods and services on credit.

The Company monitors the outstanding amounts and follow up closely with its customers should amounts become overdue.

Per 31.12.2022 the Company had TNOK 72,092 in outstanding accounts receivables, of which TNOK 6,503 were more than 30 days overdue. Traditionally, overdue amounts are paid in full and the Company has historically had a low rate of loss on receivables. The Company had no expenses on bad debt during 2022, and the provision for bad debt did not materially change during 2022.

Net interest-bearing debt

Amounts in NOK '000	2022	2021
Total interest-bearing debt	-	-
Cash	183,077	324,028
Net interest-bearing debt	**183,077**	**324,028**

Liquidity risk

The Company manages liquidity risk by monitoring that the expected future cash from operations and available cash are adequate to serve the operational and financial obligations. This is done by preparing cash flow forecasts on a 12 month forward rolling basis, and detailed by weekly cash monitoring, based on different sale and cost scenarios. Capital tied up is supervised, focusing on inventory, accounts receivable, and accounts payable.

The Company's liquidity strategy is to secure sufficient cash, cash equivalents and credit facilities available at any time to finance the operations and investments for the next 12 months.

Excess liquidity sits on the Company’s bank accounts. The Company holds no credit facilities as of 31 December 2022.

The Company holds no loan agreements against financial institutions and has no covenants.

The following table discloses the maturity analysis for non-derivative liabilities, showing its undiscounted remaining contractual liabilities:

Overview of maturity structure of financial liabilities

			2022		
Amounts in NOK '000	**Carrying Amount**	**< 1 year**	**1-2 years**	**3-5 years**	**Total**
Lease liabilities	12,674	12,674	0	0	12,674
Trade payables	35,218	35,218	0	0	35,218
Other current liabilities	152,677	152,677	0	0	152,677
Total	**200,569**	**200,569**	**0**	**0**	**200,569**

			2021		
Amounts in NOK '000	**Carrying Amount**	**< 1 year**	**1-2 years**	**3-5 years**	**Total**
Lease liabilities	13,911	13,911	0	0	13,911
Trade payables	70,232	70,232	0	0	70,232
Other non-current liabilities	25,897	0	25,897	0	25,897
Other current liabilities	73,785	73,785	0	0	73,785
Total	**183,825**	**157,928**	**25,897**	**0**	**183,825**

The payment of financial obligations is intended to be covered by the payment of accounts receivable, sale of goods and services, and available cash.

At the end of the reporting period the Company held deposits at call for managing liquidity risk:

Deposits

Amounts in NOK '000	2022	2021
Deposits at the end of the period	183,077	337,276
- of which is restricted	5,517	9,978

Capital Management

The Board's objective is to maintain a healthy capital base to retain the trust of shareholders, creditors, customers, suppliers, and the market to continually develop the company. The Board continuously monitors the capital structure and make appropriate actions when deemed necessary. The ultimate objective of the Board is to ensure Huddly's shareholders over time will gain a competitive return on their investment.

The Company holds no long-term debt and did not pay any dividend in 2022 and 2021.

Considering all available information about the future of the Company's operations, the Company's management concludes that it is appropriate to assume the Company's ability to continue as a going concern. For further information on capital management, please refer to Note 24. Events after the reporting period.

22. New and amended standards not yet adopted by the Company

Huddly AS has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods. New standards and interpretations not yet adopted. Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by Huddly AS. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12, and
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

23. First-time adoption of IFRS

These financial statements, for the year ended 31 December 2021, are the first the Company has prepared in accordance with IFRS. These financial statements will be published together with the consolidated figures for Huddly Group, at the Group's website. For the year ended 31 December 2021, the Company prepared its financial statements in accordance with simplified IFRS valid as of December 31, 2021.

The Company has prepared financial statements that comply with IFRS applicable as at 31 December 2022, together with the comparative period data for the year ended 31 December 2021, as described in general accounting principles and relevant notes.

In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2021, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its simplified IFRS financial statements.

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the general requirement to the retrospective application of certain IFRSs. The general requirement of IFRS 1 is full retrospective application for all standards.

Statement of profit or loss for 2021

Amounts in NOK 1,000	**Note**	**Simplified IFRS**	**Effect of transition to IFRS**	**IFRS**
Sales of goods		336,838	-	336,838
Total revenue		**336,838**	**-**	**336,838**
Cost of goods sold		(169,209)	-	(169,209)
Gross profit		**167,630**	**-**	**167,630**
Employee benefit expenses	1)	(393,570)	(16,241)	(409,811)
Other operating expenses	1)	(18,662)	(6,460)	(25,122)
Amortization and depreciation	1)	(63,927)	30,664	(33,263)
Total operating expenses		(476,159)	7,964	(468,195)
Operating profit/(loss)		**(308,529)**	**7,964**	**(300,565)**
Interest income		527	-	527
Interest expense		(29)	-	(29)
Other financial expense		(6,851)	-	(6,851)
Net foreign exchange gains (losses)		40,366	-	40,366
Net financial items		34,012	-	34,012
Profit/(loss) before income tax		**(274,517)**	**7,964**	**(266,553)**
Income tax	2)	18,365	(18,365)	-
Profit/(loss) for the year		**(256,152)**	**(10,401)**	**(266,553)**

Statement of comprehensive income

Amounts in NOK 1,000	**Note**	**Simplified IFRS**	**Effect of transition to IFRS**	**IFRS**
Profit/(loss) for the year		**(256,152)**	**(10,401)**	**(266,553)**
Other comprehensive income:				
Total comprehensive income for the year		**(256,152)**	**(10,401)**	**(266,553)**

Statement of financial position 31.12.2021

Amounts in NOK 1,000	Note	Simplified IFRS	Effect of transition to IFRS	IFRS
ASSETS				
Non-current assets				
Goodwill		8,018	-	8,018
Intangible assets	1)	92,683	25,275	117,958
Tangible assets		4,596	-	4,596
Right-of-use assets		13,883	-	13,883
Investment in subsidiary		73,025	-	73,025
Deferred tax asset	2)	22,077	(22,077)	-
Other non-current receivables	3)	-	10,000	10,000
Total non-current assets		**214,281**	**13,198**	**227,479**
Current assets				
Inventories	3)	30,728	(15,000)	15,728
Consignation inventories	4)	-	56,043	56,043
Trade receivables		97,374	-	97,374
Other current receivables	3)	29,472	9,348	38,820
Cash and cash equivalents		324,028	-	324,028
Total current assets		**481,602**	**50,391**	**531,993**
TOTAL ASSETS		**695,883**	**63,589**	**759,473**

Statement of financial position 31.12.2021

Amounts in NOK 1,000	Note	Simplified IFRS	Effect of transition to IFRS	IFRS
EQUITY AND LIABILITIES				
Equity				
Share capital		135	-	135
Share premium		508,285	-	508,285
Other paid in capital		278,471	4,348	282,819
Retained earnings		(281,069)	3,198	(277,871)
Total equity		**505,823**	**7,546**	**513,369**
Non-current liabilities				
Other non-current liabilities		32,132	-	32,132
Total non-current liabilities		**32,132**	**-**	**32,132**
Current liabilities				
Lease liabilities (current portion)		13,911	-	13,911
Trade payables		70,232	-	70,232
Current tax payables		-	-	-
Consignation liabilities	4)	-	56,043	56,043
Other current liabilities		73,785	-	73,785
Total current liabilities		**157,928**	**56,043**	**213,972**
Total liabilities		**190,060**	**56,043**	**246,104**
TOTAL EQUITY AND LIABILITIES		**695,883**	**63,589**	**759,473**

Statement of financial position 01.01.2021

Amounts in NOK 1,000	Note	Simplified IFRS	Effect of transition to IFRS	IFRS
ASSETS				
Non-current assets				
Goodwill		8,018	-	8,018
Intangible assets	1)	72,483	17,312	89,795
Tangible assets		4,682	-	4,682
Right-of-use assets		4,737	-	4,737
Investment in subsidiary		-	-	-
Deferred tax asset	2)	3,713	(3,713)	-
Other non-current receivables	3)	-	-	-
Total non-current assets		**93,632**	**13,599**	**107,231**
Current assets				
Inventories	3)	3,238	-	3,238
Consignation inventories	4)	-	41,141	41,141
Trade receivables		59,270	-	59,270
Other current receivables	3)	18,197	9,338	27,534
Cash and cash equivalents		125,962	-	125,962
Total current assets		**206,667**	**50,478**	**257,145**
TOTAL ASSETS		**300,299**	**64,077**	**364,376**

Statement of financial position 01.01.2021

Amounts in NOK 1,000	Note	Simplified IFRS	Effect of transition to IFRS	IFRS
EQUITY AND LIABILITIES				
Equity				
Share capital		120	-	120
Share premium		230,502	-	230,502
Other paid in capital		11,591	9,338	20,929
Retained earnings		(24,917)	13,599	(11,318)
Total equity		**217,295**	**22,937**	**240,232**
Non-current liabilities				
Other non-current liabilities		8,956	-	8,956
Total non-current liabilities		**8,956**	**-**	**8,956**
Current liabilities				
Lease liabilities (current portion)		5,037	-	5,037
Trade payables		42,571	-	42,571
Current tax payables		-	-	-
Consignation liabilities	4)	-	41,141	41,141
Other current liabilities		26,441	-	26,441
Total current liabilities		**74,048**	**41,141**	**115,189**
Total liabilities		**83,003**	**41,141**	**124,144**
TOTAL EQUITY AND LIABILITIES		**300,299**	**64,077**	**364,376**

Statement of cash flows for 2021

Amounts in NOK 1,000	**Note**	**Simplified IFRS**	**Effect of transition to IFRS**	**IFRS**
Cash flows from operating activities				
Profit/(loss) before income tax		(274,517)	7,964	**(266,553)**
Adjustments for				
Depreciation and amortization		63,927	(30,664)	**33,263**
Share-based payments expense		261,891	-	**261,891**
Change in trade and other receivables		(38,104)	-	**(38,104)**
Change in trade payables		27,661	-	**27,661**
Change in other current assets and other liabilities		37,019	-	**37,019**
Net cash inflow from operating activities		**77,878**	**(22,701)**	**55,178**
Cash flows from investing activities				
Payment for property, plant and equipment		(2,198)	-	**(2,198)**
Payment for investments in intangible assets		(76,074)	22,701	**(53,374)**
Other investing activities		(73,025)	-	**(73,025)**
Net cash (outflow) from investing activities		**(151,297)**	**22,701**	**(128,597)**
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		277,799	-	**277,799**
Repayments of lease liabilities		(6,278)	-	**(6,278)**
Paid interest on lease liabilities		(35)	-	**(35)**
Net cash inflow from financing activities		**271,486**	**-**	**271,486**
Net increase/(decrease) in cash and cash equivalents		**198,066**	-	**198,066**
Cash and cash equivalents as of 1 January		125,962	-	**125,962**
Cash and cash equivalents as of 31 December		**324,028**	**-**	**324,028**

Notes to the reconciliation of changes from Simplified IFRS to IFRS:

1. Employee benefit expenses and other operating expenses increase due to lower capitalization, while amortization decreases due to increased useful life of intangible assets.
2. No recognition of deferred tax asset due to stricter requirements with regards to recognition of tax assets under IFRS.
3. Other receivables increased due to reclassification of inventory from a reassessment of the classification of financial assets previously recognized as inventory, and recognition of other current receivables.
4. Introduction of a new asset and corresponding liability arising from a reassessment of the accounting treatment of the ultimate ownership of risk related to the manufacturers' inventory. Any and all assessments related to the contractual rights and obligations to the inventory remain unchanged. Both the asset and the liability will be reduced upon purchase of a finalized product. As such, the cash outflow will first occur once the finalized product is purchased.

24. Events after the reporting period

In January 2023 Graham Spencer Williams took over as CEO for Huddly and replaced Alexander Woxen who resigned. At the same time, Mr. Williams stepped down as Chairman and was replaced by Jostein Devold. During the same month Ragnar Kjos resigned as CFO for the company. In April 2023 Huddly appointed Abhijit Banik as new Chief Financial Officer (CFO).

There have been no other material events subsequent to the reporting period that might have a significant effect on these financial statements for 2022.

To the General Meeting of Huddly AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Huddly AS, which comprise:

- the financial statements of the parent company Huddly AS (the Company), which comprise the statements of financial position as at 31 December 2022, profit or loss, comprehensive income or loss, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- the consolidated financial statements of Huddly AS and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at 31 December 2022, profit or loss, comprehensive income or loss, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of

Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to: https://revisorforeningen.no/revisjonsberetninger

Oslo, 9 May 2023
PricewaterhouseCoopers AS

Vidar Lorentzen
State Authorised Public Accountant

Huddly Group & Huddly AS