reMarkable

reMarkable Holding Group and reMarkable Holding AS

Annual report 2023

DIRECTOR'S REPORT | REMARKABLE HOLDING GROUP

Operations and locations

reMarkable Holding AS ("the Company") is the parent company in the reMarkable Group (referred to as "reMarkable" or "reMarkable Group"), whose main subsidiaries are reMarkable AS, reMarkable Invest AS and reMarkable Employee Share Holding I AS. reMarkable AS is the operating entity of the reMarkable Group and is a Norwegian company that develops, markets, and sells consumer electronics products termed 'paper tablets' and associated accessories.

reMarkable's business strategy is to develop and produce electronic devices, as well as a subscription service, for users who prefer the paper experience, as it pertains to reading, writing, and sketching, over other digital devices such as PCs and tablets. The main product is called "reMarkable 2", a device that provides an almost identical writing and reading experience to paper, but with additional features only made possible via technology. The device's functionality is particularly focused on the writing experience, endeavoring to preserve the benefits handwriting has on memory and focus. This ambition is reflected in reMarkable's vision – "Better thinking through technology."

The Group distributes its products in over 50 countries, with North America and Europe being the largest markets. The majority of sales originate through reMarkable's own web shop, whereas sales via third parties make up an increasing proportion of revenues as part of the Group's distribution channel strategy. Production is conducted primarily in China, with distribution from warehouses in Hong Kong, the Netherlands, Lithuania and Mexico.

Letter to stakeholders

2023 has been an outstanding year for reMarkable. We embarked on a highly successful retail sales roll-out and unveiled our new product offering, the Type Folio. In addition, we have expanded our software ecosystem – making progress on a seamless workflow and better thinking across all your devices. During the year, we have also continued to scale the organization, investing heavily into new product development while making substantial improvements to our operating model.

reMarkable 2 continues to lead the paper tablet category, and during Q4 we crossed the threshold of more than 2 million paper tablets sold since the launch of reMarkable 1. This is a testament to the strength of our brand and value proposition of the product. Word-of-mouth recommendations remain one of our most important sales-drivers, and this gives us continued confidence that we are barely scratching the surface of a very large addressable market. Our Connect subscription offering provides a unique platform on which to continuously add more value to the reMarkable user experience. With a rapidly growing base of nearly 700,000 subscribers as of year-end, this will be a core area of investment in the years ahead.

These notable accomplishments have provided the foundation for our strong financial performance in 2023. Considering the macroeconomic headwinds in consumer electronics, we are especially proud of the results – relying on excellence in execution. As part of this work, and to prepare us for future growth, we have implemented a management system that is focused more strongly on goals and outcomes. To ensure our IT system technology needs can scale with our growth, we have implemented a cloud-based ERP system (SAP). Over time, we believe that these initiatives will allow us to keep growing at significant rates while demonstrating economies of scale due to significant operational efficiencies.

Ultimately, the value we add to our customers will determine our rate of growth. Both to attract new customers and to serve our existing customers better, we introduced the Type Folio, a slim keyboard that elegantly attaches to reMarkable 2. The launch was accompanied by mobile and desktop applications that enable users to capture critical notes when our tablet is not the most convenient option. For on-the-go and at-the-desk notes, users can capture ideas, no matter where they are or what device they are working on – fully integrated with our tablet.

In mid-October, reMarkable completed a NOK 500m Norwegian bond issue, which marked our first entry into public capital markets. This additional financing strengthens our ability to develop and commercialize new products. As we grow, especially with third-party retail sales, the bond proceeds will help with increased working capital needs. The bond will be listed on the Oslo Stock Exchange during the second half of 2024 and as a consequence of this we have changed our accounting standard from Norwegian Generally Accepted Accounting Principles (NGAAP) to the International Financial Reporting Standard (IFRS) while also changing our functional and reporting currency to US Dollars.

While we are proud of what we accomplished last year, we are depending on our employees to deliver even more in the coming years. I continue to be impressed with the dedication of the team, and I am optimistic that we can create significantly more business value as we align the team to our business strategy and focus on employee engagement.

Our employees are the source of our value creation. However, it will be our customers who ultimately judge the value of our work. I see opportunities for us to place the customer at the center of everything that we do. This means relentlessly focusing on the end-to-end customer experience so they both love us and tell their friends about us. With employees enabled to create and deliver more value, and with a more customer-centric culture, we can continue on the successful path that those who came before me have started.

Best,

Phil Hess

Chief Executive Officer

Financial performance

Revenue

Total revenues for 2023 amounted to USD 338m, which corresponds to a 27% year-over-year improvement. The robust topline growth was primarily driven by a highly successful retail roll-out in North America during the second half, as well as continued strong performance in key markets.

- The expansion of our product offering through the launch of Type Folio and the related device-agnostic reMarkable ecosystem was well received by customers, with a high degree of upselling to existing users
- Our subscription offering, Connect, has seen healthy annual recurring revenue (ARR) growth on the back of positive free-to-paying conversion development in the second half of the year. This follows the value proposition change in 2022, where the free trial period was extended

in July 2021 (from 100 days to 1 year) in combination with a lower price point from mid-September (monthly price reduced from $7.99 to $2.99)
- In Q4, we began to see the full commercial effects of having a multichannel presence, leading us to record the best peak season in reMarkable's history

Cost of materials

Net Margin after Cost of Materials for 2023 amounted to USD 162m, representing a 21% increase from the USD 134m achieved in 2022. After cost of materials, the margins reflected a healthy 48% and 50% respectively. The 2 pp. decline is partly explained by return provisioning on the back of a changed sales mix along with costs incurred as remarkable continues to expand into a new sales channel.

EBITDA

EBITDA came in at a record high of USD 38m, compared to USD 3m for 2022 (1096% year-over-year growth). The robust performance comes as a result of increased revenues in combination with a relative reduction in sales and advertising expenditure (as a % of revenue). This positive development offsets the ramp-up in the operating cost base to support reMarkable's continued development of new products and markets.

Research and development

Development costs are related to improvements made on existing products and development of new products, accessories and software amounted to a total of USD 16.5m during 2023 (2022: USD 13.5m).

Additions to software during 2023 and 2022 are mainly related to the enterprise resource planning (ERP), supply chain and customer management systems' implementation. The Group performed significant integrations between the systems to enable proper data flows between the aforementioned systems, and other systems held the Group. Total expenditure for these projects, excluding ongoing costs to access to the cloud systems, amounted to USD 7.2m in 2023, and an additional USD 4.2m in 2022. Out of these amounts, the Group capitalized as part of its intangible assets USD 5.4 million in 2023, and USD 1.4 million in 2022.

Cash flow from investing activities

Cash flow from investing activities of USD (25)m in 2023 versus USD (24)m in 2022, reflects reMarkable's continued commitment to innovate and create compelling user experiences, and comprise primarily of development expenditure in line with product roadmaps.

Cash flow from financing activities

Net cash flow from financing activities of USD 27m in 2023 largely represents the remaining proceeds from the NOK 500m bond issue post repayment of existing bank debt.

Liquidity

As at year-end 2023, the reMarkable Group held USD 96m in cash and equivalents, compared to USD 55m for 2022. The strong liquidity improvement has been achieved through the positive financial results, positive net working capital changes along with the proceeds from the bond issue.

reMarkable's net cash position was USD 44m at year-end 2023. Last year the comparable position was USD 38m.

Equity

Equity at year-end amounted to USD 59m, reflecting an equity ratio of 29% In 2022 equity came in at USD 39m with a corresponding equity ratio of 31%. The 2 pp. year-over-year decline is largely explained by the inaugural NOK 500m bond issue in October 2023.

Financial risks

Input factors

As a provider of consumer electronics, reMarkable is exposed to the possibility of global shortages of production components. Global shortages may be due to a variety of reasons, such as the recent Covid-19 pandemic or other geopolitical events that have an adverse effect on operations.

Political, social or economic instability in Asia where the Group's suppliers' manufacturers are located, or the imposition of additional trade law provisions, regulations, duties, tariffs and other charges affecting imports and exports, could cause disruptions in trade or increase costs, including with regard to exports to EU, UK or US.

To counter sourcing complexities, reMarkable has a dedicated team that collaborates directly with suppliers throughout our value chain and regularly takes strategic measures to ensure access to critical input factors and priority with suppliers. The latter may on a regular basis require us to maintain a significant inventory of finished goods and critical longlead components, which increases the Group's working capital needs.

Liquidity risk

reMarkable manages its liquidity risk by regularly monitoring its liquidity needs for working capital, and strategic investments, both for short-term and long-term needs, and periodically updates estimations through rolling forecasts.

During the year we completed a NOK 500m bond issue, which will strengthen the Groups ability to develop and commercialize new products as well as help with increased working capital needs following the growth in third-party retail. Moreover, reMarkable has access to additional sources of liquidity, from its supply chain financing facility, another multifunctional currency line, and potential tap issues through its bond.

As the Group continues to grow, fixed expenditure also increases. With one primary revenue stream, there is an inherent uncertainty in cash flow from operations which is currently our main source of financing future growth. The recurring revenue contribution from the Connect subscription base partially offsets this but is as of yet at a limited scale. The lead-time on paper tablet production means the Group must place orders before future demand is known, and this exposes the Group to the risk of future demand not aligning with projections. The Group can manage this through a combination of postponing inventory commitments, reducing expenditures and managing working capital and carefully monitoring and projecting its financial position as a central part of our business planning cycle

Market risk

reMarkable's revenue is affected by standard economic trends and consumer purchase patterns, including seasonality, and periods that typically involve discounted offers. The Group takes this into account when projecting demand and securing supply.

The paper tablet category is experiencing an increasing number of entrants and heightened competition. The Group has anticipated this for some time and sees itself as well positioned to maintain a leading role in this emerging product category. In response to this new competitive environment, reMarkable has initiated many cross-company efforts to both strengthen the value proposition of its products and services and increase its market penetration.

Credit risk

The risk of losses on receivables is considered low, as the customer base is large and diverse and the Group's payment providers are well-established, reputable companies which release funds continuously within 3-7 days after customer purchase. The risk of losses from receivables on web shop orders resides with the payment provider and is reflected in the fees for their services.

reMarkable's retail distributor agreements typically involve an element of credit payment, but the Group assesses the risk of losses on receivables to be low on the back of only entering agreements with players that have undergone a counterparty check. In relation to an increased growth in the retail segment, the Group will make ongoing assessments of the payment terms provided, the credit risk entailed, and any other instruments that can be used to mitigate risk.

Forex exchange risk

The Group sells its products in multiple countries with pricing in local currencies. While the majority of sales is in USD, the largest exposures to foreign currency with respect to sales and trade receivables consist of the EUR, GBP and, to a much lesser extent, NOK. The Group's expenditure commitments and a large part of the cost base (disregarding inventory cost, which is mainly denominated in USD) in foreign currency going forward will generally be nominated in NOK. Therefore, changes in the NOK/USD exchange rate have a direct impact on the Group's profitability as a stronger NOK will increase the Group's fixed cost base and vice versa. reMarkable has short term contracts with retailers and distributors where underlying sales also provide for foreign exchange terms.

Other

The Group has Directors and Officers insurance policy for the members of the board and the general manager for their possible liability towards the Group and third parties. The insurance policy lies in reMarkable Invest's parent, reMarkable Holding AS, and covers all Group entities.

Work environment, equal opportunity and discrimination

The work environment at reMarkable is considered to be good. The Group has a Workplace Environment Committee (Nw. AMU), an employee representative, and a safety representative, as well as established routines for safeguarding and protecting the rights and needs of its employees. Practices to make sure the workplace is accessible and inclusive are regularly implemented, communicated, and reviewed. Measures and routines to ensure sound working conditions have been initiated, as well as measures to preserve employee mental health, motivation, and general well-being. Total sick leave in 2023 was 2.8% of total working hours. No workplace injuries or accidents were reported. The Group has no known issues of discrimination because of ethnicity, religion, beliefs, disability, sexual orientation, gender identity, or gender expression.

reMarkable aims to have a workplace where there is full equality between women and men and aims to ensure that there is no discrimination based on gender in matters such as pay, advancement, or recruitment. At the end of 2023, the Group consisted of 37% women and 63% men. For more information on this topic, we refer to our report on equality that is published on our career page, remarkable.com/careers. The report details our current gender equality status on a set of parameters, an assessment of potential risks for discrimination or obstacles to equality, as well as a look at what we have done so far and plan to do in the future to improve diversity and equality.

Requirements for acceptable working conditions at suppliers, especially at the factory of the main supplier in China, are emphasized in the negotiation processes and are written down in the manufacturing service agreement. Suppliers shall comply with reMarkable's Supplier Code of Conduct. reMarkable's Supplier Code of Conduct is based on The Responsible Business Alliance (RBA) Code of Conduct which ensures that working conditions and its supply chains are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically. The labor standards include freely chosen labor, no use of child labor in any stage of manufacturing, working hours according to local law, compensation paid to workers shall comply with all applicable wage laws, humane treatment of workers and a workplace free of harassment and unlawful discrimination.

reMarkable requires that our suppliers shall treat its employees fairly and legally with regard to wages, benefits, and working conditions, and not employ forced labor, and no employee of shall be compelled to work through force or intimidation of any form. Our suppliers shall not employ children (defined as age 15 or the minimum working age within the applicable jurisdiction, whichever is older) to perform all or part of the Services. Further they shall maintain a safe and hygienic working environment and shall employ occupational health and safety practices that prevent accidents and injury in the course of work or as a result of the operation of its facilities and equipment.

Environmental and community responsibility

Maximizing positives, minimizing negatives

To reMarkable, better thinking involves acknowledging that everything we do impacts the world around us. We strive to maximize our positive impacts, while minimizing the negative ones. Our impact reporting for 2023 will provide a status on our work on implementing sustainability and some thoughts on where we plan to continue our journey.

The consumer electronics space has seen some major market trends in 2023. Some of the most notable are geopolitics, the European Union's (EU) role, transparency and growing customer preferences towards sustainable brands. Geopolitics are intensifying sustainability aspects role as a key strategic and financial focus for all organizations. Examples of this include energy security and access to scarce minerals. The EU requires companies to adopt practices on sustainability reporting, product durability and quality, leading to significant systemic improvements.

Our customers, particularly younger generations, are showing an increasing preference for Our customers, particularly younger generations, are showing an increasing preference for sustainable brands with clearer morals and values, but without compromising on convenience and functionality. At the same time, supply chain transparency is accelerated through a wide range of national regulations in different markets, such as the Norwegian Transparency Act and the US Uyghur Forced Labor Prevention Act.

We aim to be transparent on how we are impacting societies around us as the impact on key global issues will alter the world we live in - and we aim for that to be a world with room for better thinking.

Sustainability governance

A new framework for sustainability management

The EU has launched its Corporate Sustainability Reporting Directive (CSRD), mandating companies to report on their most important - or material - sustainability matters, document their sustainable transformation, clear governance and time-bound targets related to their material sustainability areas. This greatly increases the expectations for how companies should work and integrate sustainability areas like climate, human rights and circular economy into their business and value chain.

reMarkable is working to be CSRD ready. This is a demanding journey, requiring large efforts of our entire organization. To start off on the right track, reMarkable mapped the most material sustainability areas during the fall of 2023 through a double materiality assessment. This is, in all essence, a prioritization of sustainability areas going ahead. We are working in collaboration with our business partners and suppliers to find the right long-term solutions for our business and value chain.

Governance structure

In reMarkable, the Chief Executive Officer (CEO) is ultimately responsible for the Group's sustainability ambitions. The implementation of sustainability throughout the Group is led by a dedicated team reporting to the Chief Strategy Officer (CSO). The sustainability team holds responsibility to develop relevant strategies and policies, and implement these together with the organization.

The execution and monitoring of the activities related to sustainability is being conducted by the relevant functions and departments within the organization. reMarkable strives to integrate sustainability and responsibility into our business practices.

In 2023 reMarkable has mapped the Group's policies and procedures related to management of our most important sustainability topics. We updated our Supplier Code of Conduct, and our Anti-Corruption Policy, and shared our findings of relevant impacts, risks and opportunities with the management team.

Through 2024, we will further develop our sustainability governance and provide training for our employees to create understanding of how these policies can be implemented into their everyday work. Becoming aligned with the CSRD framework will support reMarkable's work on compliance and help us meet expectations of our stakeholders. This will continue to be a priority through 2024.

Our main impact

The double materiality assessment

The double materiality assessment was conducted in four phases; understand, identify, evaluate and decide.

> <u>Understand:</u> we gathered information to understand reMarkable's sustainability context, assessing reports from industry experts on sustainability, reMarkable's value chain, peers and other relevant sources. This resulted in a list of potential sustainability areas for further analysis.
>
> <u>Identify:</u> Next, we described how reMarkable's activities could impact these sustainability areas, or how these sustainability areas could present risks or opportunities to reMarkable.

Evaluate: In total, we established causal links for 95 different impacts, risks and opportunities. This step makes it possible to compare different sustainability topics against each other, as for example comparing the impact of pollution from manufacture on one side, to breaches of consumer privacy on the other.

Decide: After giving each impact, risk or opportunity a magnitude, we decided on a threshold for these to be considered material, or not material. This process output was an impact scoring, and finally resulted in identifying the most material sustainability topics for reMarkable.

Some of the topics we identified as most material are climate change mitigation, anti-corruption, resource use and circular economy, information security, and human rights in our value chain. Most of the impacts, risks and opportunities reMarkable face as a company, takes place throughout our value chain.

Circularity

We strive to minimize the lifetime impact of our products and services, making everlasting products and services that can pass through multiple life cycles, using recycled and reused materials produced with renewable energy. Re-using products is one of the most efficient methods to reduce the environmental impact of a product. Due to this, reMarkable is focusing on extending the lifetime of our reMarkable 2 device by both conducting refurbishment and repair. Refurbishment would mean that when a used device is returned from a customer,the device is tested according to the same quality requirements as a new device, re-packed and re-sold to another customer or used as a replacement product.

Some products also require repair before they could be sold as a refurbished device. The device is repaired, and then follows the refurbishment process. Products that are returned within our satisfaction guarantee period or warranty period are eligible for repair and refurbishment, and these are sold in selected geographical markets. Through refurbishment and repair we are able to extend the lifetime of our products. We maximize the utilization of the product and minimize the environmental footprint throughout the lifetime of the product.

Product	Number units in 2022	Number units in 2023
reMarkable 1 (devices) recycled	869	0
reMarkable 2 (devices) recycled	0	6 398
reMarkable 2 (devices) refurbished	11 698	18 957
reMarkable 2 (devices) repaired	7 583	25 783

Proper recycling of devices that are no longer in use is an important step in ensuring that valuable materials are recovered and recycled for a second use. reMarkable has collaborated with a recycling partner to ensure that end of life returns on our Generation 1 devices are properly handled and recycled.

Other achievements related to circularity include:

- All packaging is 100% recyclable
- Battery longevity: The device battery retains 80% of the total capacity after being charged 500 times, ensuring a long life cycle.

We will continue to work with circularity in 2024. The work will include setting and implementing strategies to promote circular outcomes, and spans across material usage in our products to efficient repair and refurbishment solutions.

Social impact

As a company with a global value chain, it is critical to be aware of the impact we have on the societies around and workers in our value chain activities. Therefore, we believe in close collaboration with our suppliers and stakeholders. We work with our suppliers to define goals and actions that support our efforts towards sustainability, and have continuous dialogue with them to provide support and feedback.

Supply chain

When we choose suppliers, through the Request for Proposal (RFP) processes, potential suppliers are evaluated based on their capabilities within sustainability, and sustainability commitments are defined as part of our process. We aim to work with suppliers sharing our values and concerns for the future.

reMarkable is taking several steps to ensure that human rights and decent working conditions are respected throughout the supply chain, all the way down to raw material sub-suppliers. We have prioritized work on three main areas in 2023.

Supplier Code of Conduct: Our Supplier Code of Conduct addresses topics such as labor rights, health and safety, environment and ethical governance. We have updated the policy to reflect our efforts and expectations we have to the suppliers. During 2023 and continuing into 2024, we are working to ensure that all direct first tier suppliers[1] understand and sign the Group's Supplier Code of Conduct, and commit to work with suppliers tiers$^{2\text{-}n}$ to ensure they, at a minimum, follow the same standard. Not accepting the Supplier Code of Conduct would disqualify a supplier in a RFP process.

ESG Due Diligence: All potential suppliers have to go through an ESG Due Diligence Tool, which identifies potential risks related to environmental, social or governance aspects. All our current direct first tier suppliers are also onboarded on this platform, which allows us to efficiently monitor and collaborate with our suppliers on improvement points.

Norwegian Transparency Act: We request information on how our suppliers and business partners work with fundamental human rights and decent working conditions. Our suppliers are also requested to share the same information from their supply chain - all the way to the extraction of raw materials. We use that information to conduct risk assessments to identify and mitigate potential and actual negative impact we can have on these important areas. This is extensive work, and we are constantly striving to improve our work in the area.

[1] Tier^1 suppliers refer to those with whom we maintain a direct financial relationship, whereby transactions are conducted directly with them.

Besides the aspects required by Norwegian law, we also assess the risk in our value chain on corruption, political stability, LGBTI rights and gender equality. Findings from our work is published on reMarkable.com, and updated annually[2].

KPI description	2022	2023
First tier direct suppliers signed Supplier Code of Conduct (%)	100	100
First tier direct suppliers that have completed information related to the Norwegian Transparency Act (%)	100	100

We will continue to collect relevant data from direct suppliers in tiers2-n and our indirect suppliers in 2024, and to conduct subsequent risk assessments on their social impacts. Based on these risk assessments, we will make a plan on how to reduce the risks of our value chain contributing to violation of fundamental human rights and decent working conditions. During the year we will define KPIs and set short- and long-term targets for this work

Climate change

Greenhouse gas emissions are another key impact the consumer electronics industry has on the world. In recognizing this we have mapped our GHG emissions for our organization's own operations and for our products. We now have emissions data from 2021 until 2023, and are gradually improving data quality and completeness of our GHG inventory.

The results reflects an expanded scope of different emissions categories included in the accounting 2023. We have captured more of our relevant emissions categories and data sources than in previous years[3]. In the report below, reMarkable's offices in Oslo and our business travel, the downstream transportation of products, the production of products, the usage and end-of-life treatment of the sold products is included[4].

GHG Accounts 2021-2023

Scope[5]	Description	Emissions in tonnes CO_2eqv			
		2021	2022	2023	% change
Scope 1	**Scope 1 total**	**-**	**-**	**-**	**-**
Scope 2	**Scope 2 total (location)**	**4.0**	**4.9**	**6.3**	**29%**
	Electricity - market	88.2	49.8	61.7	24%
	Electricity - location	1.8	1.4	2.3	64%

[2] See https://remarkable.com/transparency-act for our Transparency Act report
[3] This analysis is based on the operational control aspect that defines what should be included in the carbon inventory, as well as in the different scopes.
[4] The input data is based on internal and external data sources, converted into tonnes CO2-eq. The analysis is based on the Corporate Accounting and Reporting Standard, developed by the Greenhouse Gas Protocol Initiative (GHG protocol). This is the most important standard for measuring GHG emissions and was the basis for the ISO standard 14064-I.
[5] Scope 1 are all direct emission sources where the organisation has operational control. Scope 2 are emissions from electricity and district heating purchased by the Group. Scope 3 are emissions related to the Group's value chain, and is not owned or controlled directly by the company.

Scope[5]	Description	Emissions in tonnes CO_2eqv			
		2021	2022	2023	% change
	District Heating - location	2.2	3.6	4.0	11%
Scope 3	**Scope 3 total**	**32 403.8**	**26 433.3**	**40 122.7**	**52%**
	Purchased goods and services	25 650.3	19 528.8	34 975.5	79%
	Fuel- and energy not included in scopes 1 and 2	1.9	2.3	2.9	26%
	Waste generated in operations	4.9	6.6	9.0	36%
	Business travels	1.2	n/a[6]	376.6	-
	Employee commuting	5.7	13.9	36.9	165%
	Downstream transport	6 208.2	6 387	4 079.0	-36%
	Use of sold products	453.3	420.1	551.6	31%
	End-of-life treatment of sold products	78.3	73.7	91.2	24%
Sum	**All emissions scopes 1, 2 & 3**	**32 408**	**26 438**	**40 129**	**52%**

reMarkable does not have any scope 1 emissions, and only small scope 2 emissions related to energy use in our Oslo office. In 2023 we utilized four different office locations. The increase in scope 2 emissions is mainly due to an increased number of employees.

reMarkables main impact is from value chain activities, scope 3, with purchased products and services amounting to 87% of total emissions. The 52% increase from 2022 to 2023 in scope 3 is due to an increased amount of bought products and methodological changes in the emission factors used. The emissions factors used for this year's reporting are based on more primary data and product carbon footprints performed on the accessories. These two aspects combined entailed a higher emission for this category.

Downstream transportation and distribution, mainly consisting of air freight, represents 10% of the total emissions for 2023. Even though the number of sold units increased for 2023, the downstream transportation and distribution processes have undergone enhancements resulting in a reduction in transportation emissions. While the exact cause of this reduction is not explicitly determined, it is likely attributed to the concerted efforts towards sustainability initiatives and the improved logistical efficiency implemented by DHL. These efforts encompass various factors such as optimizing shipment weight, streamlining routes, and implementing eco-friendly transport modes.

Going forward, we will use the data collected as a baseline for setting climate targets and work to radically reduce our GHG emissions in the coming years.

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[6] The data for business travels in 2022 were not available, but we estimate them to be significantly higher than in 2021 due to increased number and distance of business travels

Parent company financial review

There was immaterial operational activity in 2023 for reMarkable Holding.

The net loss for the year is booked against retained earnings in equity.

Going concern

In accordance with the Accounting Act § 3-3a, it is confirmed that the financial statements have been prepared under the assumption of going concern.

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Magnus Haug Wanberg	**Marius Juul Møller**	**Kevin Thau**
Chair of the Board	*Board member*	*Board member*
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Susanne Lunde	**Geir Kristian Faller**	
Board member	*Board member*	

Oslo (Norway)

19 June 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD thousand	**Notes**	**2023**	**2022**
Revenue from contracts with customers	*3.2*	338 078	265 730
Total operating income		**338 078**	**265 730**
Cost of materials	*6.1*	(176 017)	(131 766)
Employee benefit expenses	*3.3*	(41 730)	(32 383)
Other operating expenses	*3.4*	(82 803)	(97 993)
Depreciation and amortization	*4.1, 4.2, 5.4*	(8 970)	(6 943)
Operating profit/(loss)		**28 558**	**(3 355)**
Financial income		1 538	206
Financial expenses		(3 564)	(1 742)
Other financial gains/(losses)		557	(2 523)
Net financial result	*3.6*	**(1 469)**	**(4 058)**
Profit/(loss) before income tax		**27 089**	**(7 413)**
Income tax (expense)/income	*3.5*	(6 642)	1 129
PROFIT/(LOSS) FOR THE YEAR		**20 447**	**(6 284)**
Net other comprehensive income/(loss)		-	-
COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		**20 447**	**(6 284)**

Attributable to:		
Equity holders of the parent	20 208	(6 210)
Non-controlling interests	239	(75)
	20 447	(6 284)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in USD thousand	**Notes**	**31 December 2023**	**31 December 2022**	**1 January 2022**
ASSETS				
Non-current assets				
Intangible assets	*4.2*	42 967	25 160	13 735
Property, plant and equipment	*4.1*	4 186	5 610	5 345
Net deferred tax assets	*3.5*	509	2 770	953
Other non-current financial assets	*5.2*	5 415	5 475	462
Total non-current assets		**53 077**	**39 015**	**20 495**
Current assets				
Inventories	*6.1*	42 141	25 008	46 071
Trade receivables	*6.2*	9 758	2 608	6 254
Other current assets		5 420	4 570	5 053
Cash and cash equivalents	*6.3*	95 716	55 071	76 087
Total current assets		**153 035**	**87 257**	**133 464**
TOTAL ASSETS		**206 112**	**126 272**	**153 959**

Amounts in USD thousand		31 December 2023	31 December 2022	1 January 2022
EQUITY AND LIABILITIES				
EQUITY				
Share capital	*5.8*	299	299	302
Share premium	*5.8*	19 214	19 214	19 214
Treasury shares		-	-	(3)
Retained earnings		30 726	10 517	16 727
Other equity		8 533	8 661	7 654
Equity attributable to equity holders of the parent		**58 772**	**38 691**	**43 894**
Non-controlling interests		519	285	348
Total equity		**59 291**	**38 976**	**44 242**
LIABILITIES				
Borrowings	*5.3*	47 748	-	-
Lease liabilities	*5.4*	-	274	1 450
Non-current provisions	*6.5*	-	154	170
Other non-current liabilities		-	-	-
Total non-current liabilities		**47 748**	**428**	**1 620**
Trade and other payables	*6.4*	32 825	31 322	20 441
Lease liabilities (current portion)	*5.4*	136	1 221	1 203
Borrowings	*5.3*	1 340	14 379	25 528
Current tax liabilities		4 476	779	4 836
Current provisions	*6.5*	2 090	873	717
Other current liabilities	*6.4*	58 206	38 294	55 372
Total current liabilities		**99 073**	**86 868**	**108 097**
Total liabilities		**146 821**	**87 296**	**109 717**
TOTAL EQUITY AND LIABILITIES		**206 112**	**126 272**	**153 959**

Magnus Haug Wanberg	**Marius Juul Møller**	**Kevin Thau**
Chair of the Board	*Board member*	*Board member*
Susanne Lunde	**Geir Kristian Faller**	
Board member	*Board member*	

Oslo (Norway)

19 June 2024

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in USD thousand	**Notes**	**2023**	**2022**
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit/(loss) before income tax		27 089	(7 413)
Adjustments for:			
Depreciation and amortization	*4.1, 4.2, 5.4*	8 970	6 943
Net financial income and expenses	*3.6*	1 669	694
Net foreign exchange differences		2 857	(303)
Working capital changes:			
Decrease (increase) in inventories		(17 133)	21 063
Decrease/(increase) in trade receivables, contract assets and prepayments		(8 000)	4 129
Change in trade payables, contract liabilities and other payables relating to operating activities		21 473	(6 303)
Change in provisions relating to operating activities		1 217	156
Changes in other receivables and payables		-	-
Income tax paid		(727)	(4 432)
Interests received		1 538	206
Net cash flow from operating activities		**38 953**	**14 740**
CASH FLOW FROM INVESTMENT ACTIVITIES:			
Expenditures on intangible assets	*4.1*	(23 863)	(16 104)
Payment of deposits		60	(5 013)
Expenditures on property, plant and equipment	*4.2*	(1 490)	(2 529)
Net cash flow from investing activities		**(25 293)**	**(23 646)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Payments of loans and borrowings	*5.5*	(14 379)	(25 528)
Interests paid	*5.5*	(1 980)	(902)
Cash receipt from borrowings	*5.5*	44 786	14 379
Payment of principal portion of lease liabilities	*5.5*	(1 309)	(1 079)
Transactions with non-controlling interests		(133)	1 019
Net cash flow from financing activities		**26 985**	**(12 110)**
Net increase/(decrease) in cash and cash equivalents		40 645	(21 016)
Cash and cash equivalents at the beginning of the period		55 071	76 087
Cash and cash equivalents at the end of the period		95 716	55 071

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to holders of the parent							
Amounts in USD thousand	**Share capital (section 5.8)**	**Share premium (section 5.8)**	**Treasury shares**	**Retained earnings**	**Other equity**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2022	**302**	**19 214**	**(3)**	**16 727**	**7 654**	**43 894**	**348**	**44 242**
Profit/(loss) for the year	-	-		(6 210)	-	(6 210)	(75)	(6 285)
Acquisitions by non-controlling interests					1 007	1 007	12	1 019
Cancelled treasury shares	(3)	-	3	-		-	-	-
Balance at 31 December 2022	**299**	**19 214**	**-**	**10 517**	**8 661**	**38 691**	**285**	**38 976**
						-		
Balance at 1 January 2023	**299**	**19 214**	**-**	**10 517**	**8 661**	**38 691**	**285**	**38 976**
Profit/(loss) for the year	-	-		20 208	-	20 208	239	20 447
Acquisition of non-controlling interests by the owners of the parent					(128)	(128)	(5)	(133)
Balance at 31 December 2023	**299**	**19 214**	**-**	**30 726**	**8 533**	**58 772**	**519**	**59 291**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 1 Group information and basis of preparation

This section includes information on corporate information, Group structure, basis of preparation and an overview of general accounting policies and critical accounting judgements and estimates in the Group.

1.1 Corporate information

reMarkable Holding AS ("the Company") is the parent company in the reMarkable Group (referred to as "reMarkable" or "reMarkable Group"), whose main subsidiaries are reMarkable AS, reMarkable Invest AS and reMarkable Employee Share Holding I AS. reMarkable AS is the operating entity of the reMarkable Group and is a Norwegian company that develops, markets, and sells consumer electronics products termed 'paper tablets' and associated accessories.

The registered office of reMarkable Holding AS is located at Fridtjof Nansens vei 12 in Oslo, Norway (changed from Biermanns gate 6 in Oslo, Norway, in March 2024). The Company was registered on 19 October 2018 and founded on 12 September 2018.

These consolidated financial statements of reMarkable Holding AS for the year ended 31 December 2023, and comparative period for 31 December 2022, with date of transition to IFRS® Accounting Standards as adopted by the European Union (EU) on 1 January 2022, were authorized for issue in accordance with a resolution of the board of directors on 19 June 2024. These financial statements are to be approved by the annual general meeting in June 2024.

1.2 Basis of preparation

These are the first annual consolidated financial statements prepared by the Group in accordance with the IFRS Accounting Standards as adopted by the European Union (EU). See more details on the effects of the transition to IFRS in Section 8. The financial statements are presented in USD and all amounts are rounded to the nearest thousand, unless stated otherwise.

These consolidated financial statements have been prepared based on the going concern assumption. When preparing financial statements, Management has made an assessment of the Group's ability to continue as a going concern. There are no material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

These consolidated financial statements have been prepared following the historical cost basis, with no material exceptions.

1.3 New standards and interpretations adopted by the Group and other changes in accounting policies

As required by IFRS 1 - First-time Adoption of International Financial Reporting Standards, the Group has applied the same accounting policies for all periods presented in the financial statements (including financial position at date of transition to IFRS Accounting Standards). These accounting policies are the ones including all standards, amendments and interpretations effective for the annual periods beginning on or after 1 January 2023.

1.4 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 2023 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 Group's future reporting periods and foreseeable future transactions.

1.5 Critical accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions change. Management believes the underlying assumptions are appropriate.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different when, and to the extent that, the uncertainty is resolved. These areas are as follows:

- capitalization of integrations and implementation costs incurred in cloud service contracts. See Note 4.2 for further details on this critical judgement.

1.6 Group structure

reMarkable Holding AS is the parent of the reMarkable Group. reMarkable Holding AS's purpose and business consists of owning shares in its subsidiaries. reMarkable AS is the operating entity of the reMarkable Group which develops, markets and sells consumer electronics products termed 'paper tablets' and associated accessories. reMarkable Invest AS's purpose is to own shares in reMarkable AS as well as issue its own shares to reMarkable Employee Share Holding I AS (RESHI) through share issues for employees.

The reMarkable Holding Group is comprised of the following subsidiaries:

		Direct and indirect ownership interests by the Group (%)			
Name of entity	**Place of business / country of incorporation**	**2023**	**2022**	**1 January 2022**	**Principal activities**
reMarkable Invest AS	Norway	98.84	98.81	98.86	Owning shares in reMarkable AS
reMarkable AS	Norway	98.84	98.81	98.86	Operating company within the reMarkable Invest Group
reMarkable Employee Shareholding I AS	Norway	41.65	40.58	42.59	Invest in and participate in other companies

The Company owned 67% of the voting rights in reMarkable Employee Shareholding I AS at the end of the comparative periods presented. These voting rights are as a consequence of the A-Shares held by the Company. These voting rights confer the Company control over reMarkable Employee Shareholding I AS.

1.7 Significant transactions and events during the reporting period

The main transactions and events in relation to the Group are the following ones:

Transactions and events	Disclosure notes
The Group issued a bond denominated in NOK, for a nominal amount of NOK 500 million.	Sections 5.1 and 5.3

Other than those noted above, the Group has presented the material information of its financial position, highlighting any material changes, policies, judgements and estimates in the Group for the period presented.

SECTION 2 Summary of general accounting policies, estimates and judgements

Overview

This section includes an overview of the general accounting policies, which are those that do not relate to a specific line item in the financial statements, and it also includes reference to any significant judgements and estimates used when applying the Group's accounting policies.

2.1 Consolidated financial statements

The consolidated financial statements of the Group include those of reMarkable Holding AS and companies which reMarkable Holding AS has a controlling interest in. For reMarkable Group this comprises its subsidiaries reMarkable Invest AS, reMarkable AS and reMarkable Employee Shareholding I AS.

2.2 Foreign currency

2.2.1 Functional currency

The reMarkable Group presents its financial statements in USD, which is also the functional currency of the companies within it.

Accounting judgements – determination of functional currency

Management has assessed the functional currency of reMarkable AS. Based on an analysis of its primary indicators (i.e., sales and operating expenses), it is concluded that the dominating currency is USD. This is mainly supported by degree of sales nominated in USD with respect to other currencies, the competitive force of the US in these markets, and the vast majority of production costs of inventory being nominated in USD.

For reMarkable Holding AS (Holding company in the Group) it is concluded that this company has no activities of its own (other than being the holding company) and therefore it is regarded as an extension of one of its subsidiaries, reMarkable AS.

The Group will reassess the functional currency of the companies within the Group when there is a change in events and conditions which determine the primary economic environment assessment.

2.2.2 Foreign currency transactions

Transactions in foreign currency are recorded, on initial recognition, at the spot rate at which the transaction qualifies for recognition under IFRS, unless applying average rates for the month would give a fair approximation to using the actual rates. For monetary items, the difference between the spot exchange rate at reporting date (or settlement date) and initial rate is recognized in the consolidated statement of comprehensive income, at each reporting date and until the moment of the settlement.

Non-monetary items are translated using the rates at initial recognition.

2.3 Statement of cash flows

The reMarkable Group presents interests paid in financing activities whereas those received are presented in its operating activities.

2.4 Government grants

The reMarkable Group has received approval of two “SkatteFUNN” projects for the period of 2021-2023.

Both for 2023 and 2022 the sum of the funding for the projects was NOK 4 750 thousand (equivalent to USD 467 thousand and USD 482 thousand, respectively), which has reduced capitalized development in the consolidated statement of financial position and will be subsequently recognized to profit or loss through reduced depreciations.

SECTION 3 Results of the year

Overview

This section includes disclosures in relation to the financial performance of the Group over the periods presented, including those relating to financing activities.

3.1 Segment information

reMarkable's business is to develop, market, and sell consumer electronics products termed 'paper tablets', as well as associated accessories.

Operating segments are components of the Group regularly reviewed by the chief operating decision maker ("CODM") to assess performance and be able to allocate resources. The CODM in reMarkable is the board of directors. The reMarkable Group as a whole is operated as a single segment. See note 3.2 for a disaggregation of revenue based on the major class of products in the Group.

During 2023, revenues from one of the Group's customers amounted to more than 10% of the Group's total revenues, totaling USD 48 million. No individual customers represented more than 10% of the Group's total revenues during 2022.

Revenue from external customers in Norway amounted to 0.7% (2022: 0.8%), and non-current assets to USD 40 million (2022: USD 29 million). Non-current assets held by the Group outside Norway are mainly located in Hong-Kong and constitute production machinery.

The only individually material country in terms of revenue for the Group is the United States of America, where the Group obtained USD 176 million of its revenue during 2023 (2022: USD 158 million). Revenue is attributed geographically based on the location of the Group's customers.

3.2 Revenue from contracts with customers

3.2.1 Ordinary activities of the Group

reMarkable Group's ordinary activities are to sell consumer electronics products termed 'paper tablets', associated accessories and subscriptions to its cloud-based solution, for value-added content and services, such as improved connectivity and additional storage space.

The majority of revenue from contracts with customers arise from the sale of the reMarkable device and its accessories from both the reMarkable website (directly to end-user) and through retailers and distributors.

During the periods presented in the financial statements, the Group's sales of tablets included the right for users access to the subscription offering (Connect) for up to one year, extended warranty period and extended return period. Services mentioned other than access to cloud cannot be obtained separately from the purchase of a tablet.

The Group's revenue can be disaggregated based on lines of product considering mainly the nature and uncertainties within each of these categories.

Accounting policies

Identification of contracts with customers and performance obligations

The Group acts as a principal on the sale of its products to customers. Two performance obligations are broadly identified in the Group: goods (mainly tablets and accessories) and access to cloud-based solutions (bundled or not with additional services).

Performance obligations for the sale of goods are satisfied at a point in time, mainly based on when risks are transferred to customers, when there is right to payment, and physical delivery has been completed in accordance with contractual terms (incoterms or otherwise stated). This means that the Group typically recognized revenue upon delivery to end customers, or upon delivery in accordance with incoterms (typically DAP and DDP) to the retailers or distributors.

Services provided by the Group are satisfied linearly over the service period time, including those relating to extended warranty (service-type warranties). For service performance obligations associated with the sale of tablets, the Group applies the standard to its portfolio of performance obligations, as the Group reasonably expects that effects from applying the portfolio approach would not differ materially from the application on a contract-by-contract basis.

Goods delivered by reMarkable are typically prepaid when sales are directly made to end customers, and it ranges between 10 to 30 days after invoice date for retailers and distributors.

Transaction price

Irrespective of the sales channel, the transaction price for the sale of goods includes a variable element from the expected returns by customers (see Section 6.4 for further disclosures). Goods sold with a right of return are recognized as 'refund liabilities' within 'other current liabilities', with a corresponding decrease in revenue for the period. The right-of-return asset ('return assets') is recognized as 'other current assets' with a corresponding decrease in the 'cost of materials' of the Group.

For countries where taxes and duties on imports are included in final price to customers, the Group has applied judgement and concluded that it acts as an agent for such amounts, and therefore presents revenue net from payments to tax authorities. Judgement considered factors triggering the payment of the tax, risks held by reMarkable and the tax being based on sales price of the good.

The Group typically incurs payments to its customers for placement services (physically or in its clients' own sites, analogous to slotting fees) as a reduction in revenue. Otherwise, the Group recognizes consideration to customers in the same way as normal purchase of services, and typically include content creation and optimization.

The transaction price for the sale of goods and services in the Group also contains elements of variable consideration such as sales bonuses, discounts and rebates, which are recognized as reductions of revenue based on the expected values, but for which the Group considers no significant judgements or estimates are involved.

Allocation of transaction price to performance obligations

As indicated above, sales of tablets include some attached services. The Group estimates the value of the attached services mainly by reference to their market prices when sold separately.

3.2.2 Revenue disaggregation

Revenue by major class of products	**2023**	**2022**
(Amounts in USD thousand)		
Sales of devices and accessories (point in time)	320 780	249 400
Sale of subscriptions (over time)	17 298	16 331
Total revenue from contracts with customers	**338 078**	**265 730**

Taxes paid on imports are recognized as reduction of revenue and amounted to USD 11 534 thousand in 2023 (2022: USD 10 295 thousand).

3.2.3 Contract liabilities

The Group's contract liabilities mainly arise from the payment for the sale of tablets and accessories before control has been transferred to the customers, and from Connect subscription services. Sales of goods are typically recognized within days, and subscription services throughout the prepaid period (up to 12 months).

Return liabilities are not considered contract liabilities for the Group. These are classified on 'trade payables and other current liabilities' (see Section 6.4).

The Group held the following contract liabilities and the end of the periods presented:

Total contract liabilities	**31 December 2023**	**31 December 2022**	**1 January 2022**
(Amounts in USD thousand)			
Prepaid services	9 975	6 775	1 624
Prepaid goods	876	3 486	1 670
Total contract liabilities	**10 851**	**10 261**	**3 294**

The movement in contract liabilities during the period affecting revenue has been the following:

Movement in prepaid services	**2023**	**2022**
(Amounts in USD thousand)		
1 January	**6 775**	**1 624**
Increase during the year due to new sales	9 975	6 607
Decrease due to revenue from satisfaction of performance obligation	(6 775)	(1 456)
31 December	**9 975**	**6 775**

Additionally, all advances from customers for provision of goods, recognized as contract liabilities at 31 December 2022, have been recognized as revenue during 2023.

3.3 Employee benefits

The number of year-equivalent employed by the Group over the 2023 financial period has been 431 (2022: 301). The Group's remuneration to employees mainly includes salaries, bonuses, and other benefits.

Employee benefits for the periods presented in the financial statements are disaggregated as follows:

Employee benefit expenses	**2023**	**2022**
(Amounts in USD thousand)		
Salaries (incl. holiday pay, insurance and other working benefits) and bonuses	38 168	28 587
Payroll tax	5 275	3 753
Defined contribution pension costs	6 343	4 420
Other benefits	1 302	1 221
Total employee benefit expenses	**51 088**	**37 981**
Capitalization of employee benefits	(9 358)	(5 598)
Total employee benefits net of capitalizations	**41 730**	**32 383**

The capitalization of employee benefit expenses is mainly due to works performed by the Group's employees developing new products and software recognized as intangible assets. See Section 4.2 for further disclosures.

3.3.1 Pension schemes

The Group is required to have an occupational pension scheme for its employees in accordance with the Norwegian law on required occupational pension. The Group's pension scheme meets the requirements of that law. Employees covered by the Group's pension scheme amounted to 431 at 31 December 2023 (31 December 2022: 301; and 1 January 2022: 189).

3.3.2 Employee share purchase program

reMarkable Holding AS (parent controlling reMarkable Invest AS) offers reMarkable AS' employees the possibility to invest in the reMarkable Invest AS through the purchase of shares in reMarkable Employee Share Holding I AS, which is a company controlled by reMarkable Holding AS and that owns shares in reMarkable Invest AS. See Section 1.6 for further information on the Group's ownership structure.

The purpose of the employee share program is to give employees the opportunity to participate in the value creation of reMarkable AS. All employees of reMarkable AS and individuals who have signed employment with reMarkable AS are eligible to invest. The employee's investment is limited to a share of their annual salary. The employees have a vesting period of 3 years. Until the vesting period is completed, reMarkable Holding AS has to different extents the right to repurchase the shares at the lower of purchase price equal to the consideration paid by the employee or the current market value.

The subscription price is deemed to equal the fair value of the reMarkable Employee Share Holding I AS' shares. Management has analyzed whether there is any difference between the fair value of the shares and the subscription price, and it has been concluded that this difference is expected to be negligible if any. Consequently, no employee benefits have been recognized.

The overall investment made by employees during 2023 and 2022 amounted to nil, and USD 1.2 million, respectively.

3.4 Other operating expenses

Other operating expenses incurred by the Group can be disaggregated as follows:

Other operating expenses	**2023**	**2022**
(Amounts in USD thousand)		
Selling and distribution services	57 430	73 971
Audit, legal, and other consulting fees	14 987	14 705
Software license fees and implementation costs	3 143	3 905
Short-term and low values leases	4 343	3 109
Others	2 900	2 303
Total other operating expenses	**82 803**	**97 993**

3.4.1 Fees to statutory auditors

The total remuneration to the auditor for the periods presented in these financial statements has been the following:

Remuneration to auditors	**2023**	**2022**
(Amounts in USD thousand)		
Statutory auditing	316	236
Other certification services	8	8
Tax advice	16	10
Other non-auditing services	242	43
Total remuneration to auditors	**582**	**297**

3.5 Income tax

Accounting policies

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred taxes are calculated at 22% of the temporary differences between book value and tax values, in addition to tax losses carried forward at the end of the accounting year.

The income tax rate has been determined by using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax assets are realized, or the deferred income tax liabilities are settled.

3.5.1 Income tax expense

Income tax	**2023**	**2022**
(Amounts in USD thousand)		
Current income tax	4 381	689
Changes in deferred tax	2 261	(1 817)
Tax cost in P&L	**6 642**	**(1 129)**
Current income tax	4 381	689
Tax on group contribution	-	(26)
Tax payable	**4 381**	**663**
Calculation of effective tax rate		
Calculated tax on profit before tax with 22%	5 960	(1 631)
Tax effect of permanent differences	682	502
Total calculated tax expense	**6 642**	**(1 129)**
Effective tax rate	25 %	15 %

The functional currency of the companies within the Group is USD while, under the Norwegian taxation system, taxes should be calculated based on NOK being functional currency. Therefore, the fluctuation in the exchange rate between NOK and USD has an effect on the effective tax rate of the Group.

3.5.2 Reconciliation of deferred tax

Reconciliation of deferred tax	**31 December 2023**	**31 December 2022**	**1 January 2022**
(Amounts in USD thousand)			
Fixed assets	3 668	(2 704)	(224)
Inventory	(958)	3 146	11 230
Other current assets	-	1 097	872
Contract liabilities	-	(6 330)	(1 339)
Short-term debt	(4 109)	(7 533)	(14 628)
Right-of-use asset	462	1 522	2 823
Lease liabilities	(136)	(1 495)	(2 653)
Provisions	(152)	(154)	(170)
Recognized tax losses carried forward	(928)	-	-
Other translation differences	(160)	(142)	(32)
Net differences	**(2 313)**	**(12 593)**	**(4 121)**
Not included in DTA		-	(210)
Deferred tax asset base	**(2 313)**	**(12 593)**	**(4 330)**
Deferred tax asset based on 22%	(509)	(2 770)	(953)

The Group did not have any unrecognized tax losses carried forward at any of the reporting periods presented. The Group may in the future offset these tax losses carried forward with taxable income from other subsidiaries in the Group.

The decrease in the deferred tax asset of the Group during 2023 is mainly explained by a change in the Group's applied principles for tax accounting for certain areas, including revenue from contracts with customers. This effect resulted in a decrease of deferred tax assets of USD 1.7 million, with an offsetting effect on current income tax.

3.6 Financial result

Net financial result	**2023**	**2022**
(Amounts in USD thousand)		
Financial income	**1 538**	**206**
Interest income on bank deposits	1 538	206
Financial expenses	**(3 564)**	**(1 742)**
Interests on borrowings	(3 147)	(810)
Interests on lease liabilities	(60)	(90)
Other financial expenses	(357)	(842)
Net foreign currency gains (losses)	**557**	**(2 523)**
Net financial result	**(1 469)**	**(4 058)**

The increase in the interests on borrowings is mainly due to the new borrowings entered into during 2023. See Section 5.3 for further disclosures.

SECTION 4 Invested capital

Overview

This section includes disclosures in relation to the capital invested by the Group in its tangible and intangible assets.

4.1 Property, plant and equipment

4.1.1 Classes of PPE assets held by the Group

The Group's property, plant and equipment (PPE) mainly consists of production machinery, and office equipment (including those in relation to information technology such as laptops, servers and similar nature). Additionally, the Group also presents right-of-use assets together with its PPE, which mainly comprise its headquarter offices in Oslo.

Accounting policies

The Group initially recognizes its PPE at cost, and subsequent cost is accounted at initial cost minus accumulated depreciation and impairments.

4.1.2 Reconciliation of carrying amounts

The following table includes a reconciliation of the carrying amount of the property, plant and equipment held by the Group:

Property, plant and equipment	**Machinery and equipment**	**Leasehold improvements**	**Right-of-use assets**	**Total**
(Amounts in USD thousand)				
Year ended 31 December 2022				
Cost	643	1 861	3 150	5 654
Accumulated depreciation and impairment	(155)	(154)	-	(309)
Opening book amount	**488**	**1 707**	**3 150**	**5 345**
Additions	2 308	-	221	2 529
Depreciation charge	(328)	(594)	(1 342)	(2 264)
Cost	2 951	1 861	3 371	8 183
Accumulated depreciation and impairment	(483)	(748)	(1 342)	(2 573)
Closing book amount	**2 468**	**1 113**	**2 029**	**5 610**
Year ended 31 December 2023				
Additions	1 490	-	-	1 490
Depreciation charge	(845)	(565)	(1 504)	(2 914)
Cost	4 441	1 861	3 371	9 673
Accumulated depreciation and impairment	(1 328)	(1 313)	(2 846)	(5 487)
Closing book amount 31 December 2023	**3 113**	**548**	**525**	**4 186**

The increase in machinery and equipment by the Group is mainly explained by the investment in the manufacturing facilities where reMarkable goods are produced.

Accounting estimates – useful lives and depreciation methods

The following depreciation methods and useful lives have been identified for each of the class of PPE assets identified in the Group:

	Machinery and equipment	**Leasehold improvements**	**Right-of-use assets**
Depreciation method	Straight-line	Straight-line	Straight-line
Useful life	3-5 years	Less than 1 year	Less than 1 year

The Group reviews useful life of its PPE assets at least at each period end, considering factors such as their obsolescence and expected levels of wear and tear.

The useful life of the right-of-use assets represents the remaining lease term held by the Group.

4.2 Intangible assets

4.2.1 Classes of intangible assets held by the Group

The Group identifies the following major classes of assets based on their nature and use for the Group:

Own-developed technology	Own-developed technology includes the development of the technology related to tablets, products and services produced by the Group. This also includes improvement of design and functionalities of existing products and new products.
Software	Software held by the Group is mainly comprised by the Group's enterprise resource planning systems, and other systems linked to design, production and analysis of the Group's activities as well as integrations between them. This category also includes the Group's own work made on software controlled by the Group.
Patents and other rights	Patents include the development of products or functionalities. This mainly comprise acquired patents. Other rights comprise online store development.

Accounting policies

The Group recognizes its intangible assets, initially at cost, and subsequently at cost, minus accumulated depreciation and impairments.

4.2.2 Reconciliation of carrying amounts

The following table includes a reconciliation of the carrying amount of the intangible assets held by the Group:

Intangible assets	**Own-developed technology**	**Software**	**Patents and other rights**	**Total**
(Amounts in USD thousand)				
At 1 January 2022				
Cost	20 496	127	27	20 650
Accumulated amortization	(6 850)	(57)	(8)	(6 915)
Opening book amount	**13 646**	**70**	**19**	**13 735**
Additions	7 874	1 437	1 149	10 460
Additions from internal development	5 644	-	-	5 644
Amortization	(4 561)	(6)	(112)	(4 679)
Cost	34 014	1 564	1 176	36 754
Accumulated amortization	(11 411)	(63)	(120)	(11 594)
Closing book amount	**22 603**	**1 501**	**1 056**	**25 160**
Year ended 31 December 2023				
Additions	8 446	3 325	1 905	13 676
Additions from internal development	8 032	2 155	-	10 187
Amortization	(5 647)	(9)	(400)	(6 056)
Cost	50 492	7 044	3 081	60 617
Accumulated amortization	(17 058)	(72)	(519)	(17 650)
Closing book amount	**33 434**	**6 972**	**2 561**	**42 967**

Capitalized expenditures on own-developed technology are related to improvements made on existing products and development of new products, accessories and software amounted to a total of USD 16.5 million during 2023 (2022: USD 13.5 million).

Additions to software during 2023 and 2022 are mainly related to the enterprise resource planning (ERP), supply chain and customer management systems' implementation. The Group performed significant integrations between the systems to enable proper data flows between the aforementioned systems, and other systems held the Group. Total expenditure for these projects, excluding ongoing costs to access to the cloud systems, amounted to USD 7.2 million in 2023, and an additional USD 4.2 million in 2022. Out of these amounts, the Group capitalized as part of its intangible assets USD 5.4 million in 2023, and USD 1.4 million in 2022, which required the exercise of significant judgement by Management, as further described below.

Critical accounting judgement – capitalization of integrations and implementation costs incurred in cloud service contracts

A significant amount of the Group's software assets is cloud-based systems, where the code resides in the seller's hardware, and the Group can access it through an internet connection.

When capitalizing costs in relation to implementing software as a service systems, the Group applies significant judgement to specifically assess whether the code produced during customizations (i.e., actions leading to new or improved functionalities) and integrations between systems is controlled by the Group, either through copyright over the code, or through ownership of a copy over the code. Specifically, when the Group obtains ownership over a copy over the code, the Group considers decision making over that copy, such as relevant decisions over updates or maintenance, and its ability to restrict others to access the Group's copy of the additional code.

Intangible assets resulting from capitalized expenditures in relation to software as a service system are expensed over the contractual term of the SaaS arrangement and including any expected renewals until useful life of the developed assets are completed.

Accounting judgement – capitalization of internally generated intangible assets

The Group exercises significant judgement when deciding on the capitalization of its development projects. The area of judgement comes to assessing whether all the requirements as stated in IAS 38 have been met, particularly when differentiating research from development phase, where the Group relies on its internal processes to document such conclusions. In deciding the project phase, Management relies on each specific development project reaching a milestone in the development phase where the technological feasibility and economic viability of the project is confirmed.

Accounting estimates – useful lives and amortization methods

The amortization method, and the useful lives of by class of intangible assets are the following:

	Development	**Software**	**Patents**	**Other rights**
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line
Useful life	3-5 years	15 years	10 years	5 years

Management reassesses at each financial year-end, or earlier if Management identifies any specific indications, the remaining useful lives of its intangible assets. Specifically, for its software assets, Management considers technical, technological or commercial obsolescence are the most relevant factors in determining useful life. For development, Management considers the expected product life cycles independently and in relation to the industry.

SECTION 5 Capital and debt structure

Overview

This section includes disclosures in relation to the capital and debt structure of the Group, including the material items in relation to borrowings, and information about the equity of the Group.

5.1 Financial instruments

This section contains an overview of the Group's financial assets and liabilities. None of the financial instruments held by the Group are measured at fair value. The financial instruments' amortized cost is considered to be a close approximation to their fair value.

Financial assets	**31 December 2023**	**31 December 2022**	**1 January 2022**
(Amounts in USD thousand)			
Financial assets at amortised cost:			
Other non-current financial assets	5 415	5 475	462
Trade receivables	9 758	2 608	6 254
Cash and cash equivalents	95 716	55 071	76 087
Total financial assets	**110 889**	**63 154**	**82 803**

Financial liabilities	**31 December 2023**	**31 December 2022**	**1 January 2022**
(Amounts in USD thousand)			
Financial liabilities at amortised cost:			
Bonds	49 088	-	-
Supply chain financing	-	14 379	25 528
Lease liabilities	136	1 495	2 653
Trade and other payables	32 825	31 322	20 441
Total financial liabilities	**82 049**	**47 196**	**48 622**

5.2 Non-current financial assets

Non-current financial assets mainly consist of deposits for the lease of the office space the Group is going to commence in 2024. These deposits amounted to USD 5 346 thousand at 31 December 2023 (31 December 2022: USD 5 407 thousand). See Section 5.4 for further information on lease commitments.

5.3 Borrowings

The Group enters into borrowings to finance its operations. Over the periods presented, the main form of financing has been through a bond issued during 2023, and through its supply chain financing arrangement. This supply chain financing agreement has been available during all reporting periods presented.

Accounting policies

Borrowings are initially recognized at fair value, net of transaction costs incurred that are directly attributable to the issuance of the financial liability. After initial recognition, borrowings are measured at amortized cost. Any difference between the net proceeds and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Supply chain financing

The Group presents amounts held from its supply chain facilities as part of its borrowings. In deciding this presentation, the Group considers the nature, commercial purpose and specific terms of the agreement.

For presentation in the statement of cash flows, see Section 2.3.

The following table disaggregates interest-bearing loans held by the Group:

Overview of borrowings	**31 December 2023**	**31 December 2022**	**1 January 2022**
(Amounts in USD thousand)			
Non-current			
Bonds	47 748	-	-
Total non-current borrowings	**47 748**	**-**	**-**
Current			
Bonds and other borrowings	1 340	-	1 887
Supply chain financing	-	14 379	23 641
Total current borrowings	**1 340**	**14 379**	**25 528**
Total borrowings	**49 088**	**14 379**	**25 528**

The increase in borrowings during 2023 is due to the issuance of a bond for a nominal amount of NOK 500 million bond, whose nominal amount has been reduced by the directly attributable costs from issuing the bond.

5.3.1 Main terms and conditions

Bond agreement

The bond was issued in October 2023, for a nominal amount of NOK 500 million, and accruing interests at 3 months NIBOR plus 7% margin. The Group does not pay any principal until maturity date (October 2027), and interest is paid quarterly.

Provided that the Group is in compliance with certain ratios in relation to net interest bearing debt and EBITDA, the Group has the possibility to issue up to additional NOK 500 million in bonds, subject to the same terms and conditions as the original bond, but with separate issuance process to be followed.

The Group has the possibility to early repay its bond at any time, with certain compensations to bondholders for lost interest, and the possibility to early repay up to 35% of the bond upon the Group's equity becoming listed. These options are found to be not closely related to the host contract, however it has been concluded that these options have negligible value for the Group in the current circumstances.

The bondholders also have the possibility of early repayment of the bond due to change of control or unfavorable tax events. These options are considered to be closely related to the host agreement and therefore they have not been separately recognised by the Group.

Supply chain financing

In June 2022, the Group signed a supply chain financing agreement, which gave access to up to USD 20 million (increased to USD 25 million by year-end 2022) of uncommitted credit facility for the settlement of invoices issued by its main suppliers. The interest rate is determined by a 3.5% margin plus LIBOR (London Interbank Offered Rate). Credit term is up to 90 days after the supplier's invoices fall due. This agreement was updated during 2023 leaving terms mentioned substantially unchanged. Margin was updated to 3.55% plus 3 months SOFR (Secured Overnight Financing Rate).

5.3.2 Compliance with covenants

The Group is subject to financial covenants for its borrowings, whose main characteristics are described further below.

All covenants were met throughout the reporting periods presented in these financial statements, and there are no indications that the Group may have difficulties complying with the covenants in the foreseeable future.

Bond agreement

At year-end 2023, the Group is subject to the following financial covenants in relation to its bond, which was issued by the subsidiary reMarkable Invest AS, and of which the Company is one of the guarantors:

- At all times, minimum liquidity of NOK 100 million (or its equivalent in other currencies). Liquidity includes cash and cash equivalents; any unutilized and available amounts under SSRCF (super senior revolving credit facilities); and any credit of any Group company on any payment processing platform.

- EBITDA of no less than NOK 150 million (or its equivalent in other currencies) for each 12 month period ending at the end of each quarter, or Leverage Ratio not greater than 4.0:1. Leverage ratio is defined as net interest bearing debt to EBITDA. Compliance is measured at the end of each quarter.

These financial covenants are measured based on the consolidated annual and interim financial information prepared by reMarkable Invest AS, in accordance with the generally accepted accounting practices and principles (GAAP) in the jurisdiction in which reMarkable Invest AS is incorporated. In this case, reMarkable Invest AS issues annual and interim consolidated financial statements in accordance with IFRS Accounting Standards, with first reporting date 31 December 2023, and date of transition 1 January 2022.

Supply chain financing

The Group is also subject to financial covenants in its supply chain financing agreement. These financial covenants were updated during 2023 and became similar to those for the bond agreement (see above), however those are measured at the level of reMarkable AS financial information in accordance with the applicable GAAP, which is IFRS Accounting Standards with first reporting date 31 December 2023, and date of transition 1 January 2022.

5.3.3 Assets pledged as security for liabilities

All assets of the Group are pledged for the outstanding bonds and other financing held at 31 December 2023. reMarkable AS, which is the main subsidiary of the Group, is one of the guarantors of the bond issued by reMarkable Invest AS during 2023. reMarkable Holding AS, which is the controlling entity over reMarkable Invest AS, is also a guarantor for the bond issued.

5.4 Leases

5.4.1 Nature of lessee's leasing activities

The Group's leasing activities mainly relate to office buildings. Additionally, the Group also leases IT equipment, furniture, and other small equipment.

Accounting policies

Right-of-use assets

The right-of-use assets are initially measured at cost. Subsequently, right-of-use assets are measured at cost less accumulated depreciation and impairments and adjusted for certain remeasurements of the lease liabilities. Depreciation of the right-of-use asset is carried out using the straight-line method over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities

Lease liabilities are recognized at the lease commencement date. The lease liabilities are measured as the present value of future lease payments, discounting by the Group's incremental borrowing rate.

Lease liabilities are measured at amortized cost using the effective interest rate method.

Short-term and low value leases

Except for its office buildings, the Group concludes the rest of the leases to meet the low value threshold, for which the Group elects to not account for right-of-use assets and lease liabilities.

Non-lease components

Non-lease components are separated from lease components in the Group and therefore not being considered in the estimation of the right-of-use assets and lease liabilities.

5.4.2 Right-of-use assets

The Group's right-of-use assets only pertain to its office buildings, and the reconciliation of its carrying values have been disclosed in Section 4.1.

5.4.3 Lease liabilities

The Group's lease liabilities and movements during the period are the following ones:

Lease liabilities	**2023**	**2022**
(Amounts in USD thousand)		
At 1 January	**1 495**	**2 653**
Additions	55	224
Interest expense	62	92
Lease payments	(1 371)	(1 170)
Currency effects	(105)	(303)
31 December	**136**	**1 495**
Current	136	1 221
Non-current	-	274

Disclosures on the maturity of lease liabilities are provided in the table below:

Contractual maturities	**31 December 2023**	**31 December 2022**
(Amounts in USD thousand)		
Less than 1 year	136	1 426
Between 1 and 3 years	-	144
Total contractual cash-flows	**136**	**1 570**
Recognized as liabilities	**136**	**1 570**

5.4.4 Amounts recognized in the consolidated statement of comprehensive income

	2023	**2022**
(Amounts in USD thousand)		
Interest expense (included in finance cost)	62	92
Expense relating to short-term and low-value leases	4 338	3 108
Expense relating to depreciation	1 504	1 342

Total cash outflows for leases have been USD 5 709 thousand for 2023 (2022: USD 4 278 thousand), including short-term and low value leases.

5.4.5 Other lease information

The Group had lease agreements not yet commenced as of the end of the reporting periods presented. The following table illustrates the undiscounted future lease payments, for the non-cancellable period of the leases:

Lease commitments	**31 December 2023**	**31 December 2022**
(Amounts in USD thousand)		
Less than 1 year	3 650	-
Between 1 and 3 years	7 299	7 533
Between 3 and 5 years	7 299	7 533
More than 5 years	18 248	22 598
Total lease commitments	**36 496**	**37 663**

This lease commitment mainly relates to the Group's new headquarter offices and excludes short-term and low value leases.

5.5 Reconciliation of cash flows from financing activities

Reconciliation of cash flow from financing activities	**Bonds and other borrowings**	**Supply chain financing**	**Lease liabilities**	**Total**
(Amounts in USD thousand)				
Liabilities from financing activities at 1 January 2022	**1 887**	**23 641**	**2 653**	**28 181**
Cash outflows from payments of principal	(1 887)	(23 641)	(1 079)	(26 607)
Interests paid	(78)	(732)	(92)	(902)
Cash inflows from new borrowings	-	14 379	-	14 379
New leases	-	-	224	224
Interest expense	78	732	92	902
Foreign currency effects	-	-	(303)	(303)
Liabilities from financing activities at 31 December 2022	**-**	**14 379**	**1 495**	**15 874**
Cash outflows from payments of principal	-	(14 379)	(1 309)	(15 688)
Interests paid		(1 918)	(62)	(1 980)
Cash inflows from new borrowings	44 786	-	-	44 786
New leases	-	-	55	55
Foreign exchange adjustments	2 962	-	(105)	2 857
Interest expense	1 340	1 918	62	3 320
Liabilities from financing activities at 31 December 2023	**49 088**	**-**	**136**	**49 224**

5.6 Financial risks and capital management

This section covers the main risks to which the Group is exposed, and how the Group manages those risks. Those risks are mainly credit risk, liquidity risk and market risk. For each type of risk identified, this note discloses or cross-references to information about the Group’s exposures to the risk, how it arises; the Group’s objectives, policies, and processes for managing the risk and the methods used to measure the risk. The Group’s senior management oversees the management of these risks.

5.6.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Credit risk is mainly concentrated in the Group's trade receivables with customers, which mainly consist of receivables towards retailers and distributors.

The risk of losses on trade receivables is considered low, as the customer base is large and diverse and the Group's payment providers are well-established, reputable companies which release funds continuously within 3-7 days after customer purchase. The risk of losses from receivables on web shop orders resides with the payment provider and is reflected in the fees for their services.

reMarkable's retail distributor agreements typically involve an element of credit payment, but the Group assesses the risk of losses on receivables to be low on the back of only entering agreements with players that have undergone a counterparty check. In relation to an increased growth in the sales to retailers and distributors, the Group makes ongoing assessments of the payment terms provided, the credit risk entailed, and any other instruments that can be used to mitigate risk. The Group's trade receivables are not generally covered by credit insurance.

The Group follows up the ageing of the trade receivables with customers on an ongoing basis. As of the 31 December 2023, 99.7% of trade receivables were either not due or due less than 30 days (31 December 2022: 95.6%).

Cash and cash equivalents

The Group manages its exposure towards credit risks of individual banks by considering the amount of deposits that can be held in a single bank, considering among other factors the credit rating of its banks.

The Group is also exposed to credit risks from its cash equivalents, which are amounts held in payment processor companies. The Group performs an individual analysis of each agreement with payment processors, and regularly follows up credit ratings reports of such companies.

Other non-current assets

Other non-current assets mainly relate to its deposits for leases (see Section 5.2). These deposits are established in specific bank accounts for such purpose, and therefore is not exposed to individual credit risks of the lease provider.

5.6.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group manages its liquidity risk by regularly monitoring its liquidity needs for working capital, and strategical investments, both for short-term and long-term needs, and periodically updates estimations through rolling forecasts. Additionally, the Group has access to additional liquidity, from its supply chain financing facility, another multifunctional currency line, and additional tap issues to its bond (see Note 5.3 for further details).

5.6.2.1 Contractual maturities for financial liabilities

Contractual maturities of lease liabilities are disclosed in Note 5.4.3.

Contractual maturities	**Less than one year**	**Between one and three years**	**More than three years**	**Total**
(Amounts in USD thousand)				
31 December 2023				
Bonds	5 852	11 703	49 153	66 708
Trade and other payables	32 825	-	-	32 825
Other current liabilities	57 802	-	-	57 802
Total	**96 479**	**11 703**	**49 153**	**157 335**
31 December 2022				
Supply chain financing	14 379	-	-	14 379
Trade and other payables	31 322	-	-	31 322
Other current liabilities	37 967	-	-	37 967
Total	**83 669**	**-**	**-**	**83 669**
1 January 2022				
Supply chain financing	23 641	-	-	23 641
Trade and other payables	20 441	-	-	20 441
Other current liabilities	55 339	-	-	55 339
Total	**99 421**	**-**	**-**	**99 421**

5.6.3 Market risk

Market risk for the Group is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Group comprises two types of risk: currency risk and interest rate risk.

5.6.3.1 Interest rate risk

Interest rate risk for the Group is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is mainly exposed to interest rate risk from its interest-bearing debt, including the bond and the supply chain financing, as these instruments are exposed to changes in NIBOR. Part of the Group's exposure to interest rates is compensated by holdings of cash and cash equivalents. The Group does not use any derivatives to hedge against the variability on interest rates.

The following table demonstrates the sensitivity of the Group to a reasonably possible change in interest rates. With all other variables held constant, the Group's profit after tax and equity is affected through the impact on floating rate borrowings, as follows:

	Impact on equity and profit after tax		
Sensitivity of changes in interest rates on borrowings	**31 December 2023**	**31 December 2022**	**1 January 2022**
(Amounts in USD thousand)			
Increase in interest rate of 1%	(383)	(165)	(184)
Decrease in interest rate of 0.5%	192	82	92

The table above does not illustrate the offsetting effects that the holdings of cash and cash equivalents by the Group.

5.6.3.2 Foreign currency risk

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk in its financial assets and liabilities where the functional currency of the company in the Group is different to the currency in which the asset will be paid, or the liability discharged. The Group's policy in this respect is to have a natural hedge, by which the Group match, to the extent possible, inflows and outflows of the currency.

The Group sells its products in multiple countries with pricing in local currencies. While the majority of the sales is in USD, the largest exposures to foreign currency with respect to sales and trade receivables consist of the EUR, GBP and, to a much lesser extent, NOK. The Group's expenditure commitments and a large part of the cost base (disregarding inventory cost, which is mainly denominated in USD) in foreign currency going forward will generally be nominated in NOK. Therefore, changes in the NOK/USD exchange rate have a direct impact on the Group's profitability as a stronger NOK will increase the Group's fixed cost base and vice versa.

The Group is also exposed to currency risks from its bond being denominated in NOK (see Section 5.3), while the functional currency of the companies in the Group being USD.

The following table presents the Group's sensitivity to reasonably possible changes in exchange rates for the most material currencies in the Group. The following table includes financial instruments at 31 December that are denominated in other currency than USD:

	Impact on equity and profit after tax		
Sensitivity of changes in foreign currency rates	**31 December 2023**	**31 December 2022**	**1 January 2022**
(Amounts in USD thousand)			
10% increase in amount of USD per:			
NOK	1 081	2 248	(2 158)
EUR	(940)	830	1 613
10% decrease in amount of USD per:			
NOK	(1 081)	(2 248)	2 158
EUR	940	(830)	(1 613)

5.7 Capital management

The Group defines capital as equity. The Group's main objective when managing capital is to ensure the ability of the Group to continue as a going concern and to meet all requirements imposed by external financing agreements in the form of covenants. See Section 5.3.1 for covenants to which the Group is subject to.

5.8 Share capital and ownership structure

reMarkable Holding AS has two classes of shares, Common Shares and Preference A Shares, all with equal voting rights. Preference A Shares were introduced in 2019 when Spark Capital, an American venture capital firm, invested USD 15 million. Spark Capital holds the majority of these shares. The Company has 7 269 130 shares with a nominal value of NOK 0.35, which gives a total share capital of NOK 2 544 196. There have been no changes in the number of shares, share capital or share premium of the Group during 2023.

Preference A Shares are regulated by Shareholders' Agreement. In the event of either an exit (either through a transaction where the majority shareholders do not retain majority of voting power; or by transferring all or substantially all of the Company's assets) or liquidation, dissolution or winding up, the Preference A Shares give rights the common shareholders do not have. In these matters the holders of Preference Shares are entitled to the highest value of the price they paid per share, plus any dividends declared but unpaid, or the price corresponding to Common Shares. All remaining amounts will be distributed among the Common Shares in proportion to their respective holding of Common Shares in the reMarkable Holding AS. Further, shareholders with Preference A Shares have certain rights when it comes to anti-dilution and protective rights related to investor majority consent.

reMarkable Holding AS presents the following ownership structure at 31 December 2023:

Ownership of reMarkable Holding AS by company	**Number of common shares**	**Number of preferred shares**	**Total shares**	**Ownership percentage**	**Voting right percentage**
(Number of shares)					
SMHW AS	2 327 431	-	2 327 431	32.02	32.02
Investisol AS	1 083 700	-	1 083 700	14.91	14.91
Spark Capital V, L.P.		977 611	977 611	13.45	13.45
Setra Holding AS	750 000	-	750 000	10.32	10.32
Startuplab Founders fund I AS	389 800	-	389 800	5.36	5.36
Stratel AS	199 000	-	199 000	2.74	2.74
Herding Holding AS	174 800	-	174 800	2.40	2.40
Nous Holding AS	174 800	-	174 800	2.40	2.40
Startuplab AS	128 200	-	128 200	1.76	1.76
Dragev Invest AS	100 300	-	100 300	1.38	1.38
Heidem Holding AS	84 600	-	84 600	1.16	1.16
Total	**5 412 631**	**977 611**	**6 390 242**	**87.91**	**87.91**
Others (percent ownership < 1%)	867 275	11 613	878 888	12.09	12.09
Total number of shares	**6 279 906**	**989 224**	**7 269 130**	**100**	**100**

At the end of 2023, the Chairman of the Board, Magnus Haug Wanberg via SMHW AS owns 2 327 431 shares. This corresponds to an ownership interest of 32%. Other members of the Board, Marius Juul Møller via Investisol AS and Kevin Tau via Spark Capital V, L.P., own 1 083 700 shares (15%) and 977 611 shares (13.5%), respectively.

For information on salaries and other remuneration to the board and the CEO, see note 7.1.1.

SECTION 6 Working capital

Overview

This section includes disclosures in relation to items considered part of the working capital of the Group, typically with a short-term nature, and related to its operating activities.

6.1 Inventories

Inventories held by the Group mainly consist of finished goods controlled by the Group, such as tablets, markers and other accessories; and a certain security stock of key components necessary for its goods to be produced. The Group is not manufacturing its own products. These are produced by third parties often referred to as 'electronic manufacturing services' (EMS) suppliers.

Accounting policies

Inventories are measured at cost, which for the Group is typically the purchase cost of its goods, transportation costs until the point the goods are in the distribution centers of the Group; and non-refundable taxes such as customs duties.

Cost of inventory is assigned based on the weighted average cost formula.

The following table illustrates the different classes of inventory held by the Group, and cost of materials:

Inventories	**31 December 2023**	**31 December 2022**	**1 January 2022**
(Amounts in USD thousand)			
Raw materials	7 426	4 074	11 295
Work in progress	3 288	3 663	2 989
Finished goods	31 427	17 271	31 787
Total inventories	**42 141**	**25 008**	**46 071**

Cost of materials	**2023**	**2022**
(Amounts in USD thousand)		
Purchase of materials	193 150	110 703
Change in inventories	(17 133)	21 063
Total cost of materials	**176 017**	**131 766**

Accounting judgements – inventory recognition

The Group recognizes reMarkable-specific inventory held by its electronic manufacturing suppliers and presents it as raw materials. In arriving to this conclusion, the Group considers several factors such as low rotation, obsolescence risks, and the ability of EMS supplier to redirect the inventories to alternative uses.

6.2 Trade receivables

Accounting policies

Trade receivables in the Group are measured at its amortized cost and reduced by the expected credit losses following the simplified approach under IFRS 9. Therefore, the Group does not follow up changes in credit risk and recognize expected lifetime losses at each reporting date.

The Group considers for its provision matrix its historical experience, adjusted by forward-looking information of its customers, industry, and general economic environment.

Trade receivables	**31 December 2023**	**31 December 2022**	**1 January 2022**
(Amounts in USD thousand)			
Trade receivables	9 758	2 608	6 254
Allowance for expected credit losses	-	-	-
Total trade receivables	**9 758**	**2 608**	**6 254**

6.3 Cash and cash equivalents

The Group's cash and cash equivalents mainly consist of cash in bank and cash equivalents held in payment service providers (PSPs), typically arising from sales through its web shop. Amounts held in PSPs can typically be transferred to the Group's bank accounts within days, at the Group's sole discretion.

Accounting policies

Cash held in payment service providers are considered as cash equivalents by the Group when the Group can conclude that there are insignificant risk of changes in value (including credit risk), no significant fees, and can readily be transformed into known amounts of cash.

The Group's cash and cash equivalents can be disaggregated as follows:

Cash and cash equivalents	**31 December 2023**	**31 December 2022**	**1 January 2022**
(Amounts in USD thousand)			
Cash at bank	**82 498**	**40 075**	**72 259**
Restricted cash (payroll)	2 977	2 259	1 960
Unrestricted cash	79 521	37 816	70 299
Cash equivalents	**13 218**	**14 997**	**3 828**
Total cash and cash equivalents	**95 716**	**55 071**	**76 087**

The Group also holds financing bank overdrafts in the form of supply chain financing. See specific disclosures in Section 5.3.

6.4 Trade payables and other current liabilities

Accounting policies

The Group presents refund liabilities separately from contract liabilities included in Section 3.2.

Trade, other payables and other current liabilities	**31 December 2023**	**31 December 2022**	**1 January 2022**
(Amounts in USD thousand)			
Trade and other payables	**32 825**	**31 322**	**20 441**
Trade payables	32 825	31 299	20 406
Other payables	-	23	35
Other current liabilities	**58 206**	**38 294**	**55 372**
Contract liabilities (see Section 3.2)	10 851	10 196	3 294
Refund liabilities	3 956	2 588	2 617
Payroll tax and other statutory liabilities	5 251	3 059	2 293
VAT payable	5 159	1 673	1 932
Raw materials in consignment (Section 6.1)	7 423	4 072	11 295
Other current liabilities	25 566	16 706	33 941
Total trade, other payables, and other current liabilities	**91 031**	**69 616**	**75 813**

Accounting estimates – estimated returns (refund liabilities)

The Group estimates returns on a continuous basis, considering historical experience (as long as it is representative of future expectations) and current information about future trends. Specifically, overstock clauses, and return periods granted to final customers are considered in estimating expected returns.

For this estimate, the Group estimates refund liabilities based on the expected value method for groups of contracts with similar characteristics, which are mainly differentiated by sales channel. Specifically, the Group also considers any overstock clauses when estimating refund liabilities from this revenue stream.

The conclusion on the volume of returns is a relevant input for the estimation of the right of return of inventories.

6.5 Provisions

The Group's provisions mainly relate to warranties over products sold, and other matters connected to its selling and production activities.

Accounting policies

Provisions for warranties

Provisions for warranties are measured based on Management's best estimate at the end of each reporting period. The amount of warranty provisions is based on an expected value model, where the Group uses historical information and current information about known or detected defects. Warranty provisions are considered for the whole population of goods sold and subject to warranty provisions, adjusting for known or expected cases affecting specific groups of goods (by series, production time, or any other applicable grouping).

Provisions in the Group at 31 December 2023 amounted to USD 2 052 thousand (31 December 2022: USD 873 thousand), of which USD 902 thousand (31 December 2022: 873 thousand).

SECTION 7 Other disclosures

Overview

This section includes disclosures in relation topics other than those covered in the previous sections, including related parties and events after the reporting period.

7.1 Related parties

7.1.1 Remuneration to key management personnel

The Board received no remuneration during the periods presented in the financial statements.

Key management personnel in the Group is comprised of the board of directors, and the executive management personnel. Executive management personnel includes, among other, the chief executive officer, and other chief executives in finance, operations, strategy, and others having similar authority and responsibility for planning, directing and controlling the activities of the Group.

Key management personnel (incl. CEO)	**2023**	**2022**
(Amounts in USD thousand)		
Short-term employee benefits	3 130	2 534
Total remuneration to key management personnel	**3 130**	**2 534**

Remuneration to CEO	**2023**	**2022**
(Amounts in USD thousand)		
Short-term employee benefits	600	306
Other benefits	-	212
Total remuneration to CEO	**600**	**518**

7.1.2 Transactions and balances with other related parties

There have been no transactions with any other related parties during the periods presented in these financial statements.

7.2 Commitments

The material capital commitments for the Group, at the end of the reporting periods presented, only relate to leasing, which is further disclosed in Section 5.4.5.

7.3 Events after the reporting period

The Group is not aware of any significant events after the end of the reporting period.

SECTION 8 First-time adoption of IFRS

Overview

This section includes disclosures in relation to the Group's transition to IFRS, with opening IFRS statement of financial position at 1 January 2022, from its previous reporting under Norwegian GAAP.

8.1 Optional exemptions applied on the first-time adoption of IFRS

In applying IFRS 16, the Group has measured its right-of use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of transition to IFRS.

The Group has not applied any other exemptions available in IFRS 1.

8.2 Reconciliation of the Group's statement of financial position in accordance with Norwegian GAAP to its statement of financial position in accordance with IFRS, at the date of transition (1 January 2022)

Amounts in currency thousand	Notes	Norwegian GAAP (NOK)	NGAAP (functional and presentation currency USD)	Adjustments and reclassifications (USD)	IFRS 1 January 2022 (USD)
ASSETS					
Non-current assets					
Intangible assets		117 470	13 735	-	13 735
Property, plant and equipment	*A*	18 850	2 195	3 150	5 345
Net deferred tax assets	*C, E*	7 498	850	103	953
Other non-current financial assets		4 079	462	-	462
Total non-current assets		**147 896**	**17 242**	**3 253**	**20 495**
Current assets					
Inventories	*G*	311 867	34 776	11 295	46 071
Trade receivables		55 156	6 253	1	6 254
Other current assets	*A, E, F*	73 444	8 327	(3 274)	5 053
Cash and cash equivalents	*F*	637 279	72 259	3 828	76 087
Total current assets		**1 077 745**	**121 614**	**11 850**	**133 464**
TOTAL ASSETS		**1 225 641**	**138 856**	**15 103**	**153 959**

Amounts in currency thousand	**Notes**	**Norwegian GAAP (NOK)**	**Norwegian GAAP (USD functional and presentation currency)**	**Adjustments and reclassifications (USD)**	**IFRS 1 January 2022 (USD)**
EQUITY AND LIABILITIES					
EQUITY					
Share capital		2 574	302	-	302
Share premium		163 942	19 214	-	19 214
Treasury shares		(30)	(3)	-	(3)
Retained earnings	*C, D, E*	158 473	17 116	(389)	16 727
Other equity		66 176	7 654	-	7 654
Equity attributable to equity holders of the parent		**391 134**	**44 283**	**(389)**	**43 894**
Non-controlling interests	*C, D, E*	3 485	352	(4)	348
Total equity		**394 619**	**44 635**	**(393)**	**44 242**
LIABILITIES					
Borrowings		-	-	-	-
Lease liabilities	*A*	-	-	1 450	1 450
Non-current provisions	*A*	-	-	170	170
Other non-current liabilities		-	-	-	-
Total non-current liabilities		**-**	**-**	**1 620**	**1 620**
Trade and other payables		180 243	20 441	-	20 441
Lease liabilities (current portion)	*A*	-	-	1 203	1 203
Borrowings		208 500	25 528	-	25 528
Current tax liabilities		42 651	4 836	-	4 836
Current provisions	*A, K*	-	-	717	717
Other current liabilities	*C, G, K*	399 627	43 416	11 957	55 372
Total current liabilities		**831 022**	**94 221**	**13 877**	**108 097**
Total liabilities		**831 022**	**94 221**	**15 497**	**109 717**
TOTAL EQUITY AND LIABILITIES		**1 225 641**	**138 856**	**15 104**	**153 959**

8.3 Reconciliation of the Group's statement of financial position in accordance with Norwegian GAAP to its statement of financial position in accordance with IFRS, at 31 December 2022

Amounts in currency thousand	Notes	Norwegian GAAP (NOK)	NGAAP (functional and presentation currency USD)	Adjustments and reclassifications (USD)	IFRS 31 December 2022 (USD)
ASSETS				-	
Non-current assets					
Intangible assets	H	257 157	27 955	(2 795)	25 160
Property, plant and equipment	*A*	32 786	3 580	2 030	5 610
Net deferred tax assets	*C, E*	9 658	967	1 803	2 770
Other non-current financial assets		53 967	5 477	(2)	5 475
Total non-current assets		**353 567**	**37 979**	**1 036**	**39 015**
Current assets					
Inventories	*G*	206 583	20 936	4 072	25 008
Trade receivables		25 704	2 608	-	2 608
Other current assets	*A, E, F*	185 568	18 826	(14 256)	4 570
Cash and cash equivalents	*F*	395 029	40 074	14 997	55 071
Total current assets		**812 884**	**82 444**	**4 813**	**87 257**
TOTAL ASSETS		**1 166 451**	**120 423**	**5 849**	**126 272**

Amounts in currency thousand	**Notes**	**Norwegian GAAP**	**Norwegian GAAP (functional and presentation currency)**	**Adjustments and reclassifications**	**IFRS 31 December 2022 (USD)**
EQUITY AND LIABILITIES					
EQUITY					
Share capital		2 544	299	-	299
Share premium		163 942	19 214	-	19 214
Treasury shares		(1)	-	-	-
Retained earnings	*A, C, E*	180 428	16 942	(6 425)	10 517
Other equity		77 133	8 673	(12)	8 661
Equity attributable to equity holders of the parent		424 046	45 126	(6 436)	38 691
Non-controlling interests	*A, C, E*	3 913	361	(76)	285
Total equity		**427 959**	**45 488**	**(6 512)**	**38 976**
LIABILITIES					
Borrowings		-	-	-	-
Lease liabilities	*A*	-	-	274	274
Non-current provisions	*A*	-	-	154	154
Other non-current liabilities		-	-	-	-
Total non-current liabilities		**-**	**-**	**428**	**428**
					-
Trade and other payables		308 754	31 299	23	31 322
Lease liabilities (current portion)	*A*	-	-	1 221	1 221
Borrowings		141 736	14 379	-	14 379
Current tax liabilities		7 680	779	-	779
Current provisions	*K*	-	-	873	873
Other current liabilities	*C, G, K*	280 321	28 476	9 817	38 294
Total current liabilities		**738 491**	**74 935**	**11 933**	**86 868**
Total liabilities		**738 491**	**74 935**	**12 361**	**87 296**
TOTAL EQUITY AND LIABILITIES		**1 166 451**	**120 423**	**5 849**	**126 272**

8.4 Reconciliation of the Group's statement of comprehensive income in accordance with IFRS for the latest period in the entity's most recent financial statements (year 2022)

Amounts in USD thousand	**Notes**	**NGAAP 2022 (NOK)**	**NGAAP (functional and presentation currency USD)**	**Adjustments and reclassifications (USD)**	**IFRS 2022 (USD)**
Revenue from contracts with customers	*B, C, L*	2 565 750	266 111	(381)	265 730
Other income	*L*	146 270	15 171	(15 171)	-
Total operating income		**2 712 020**	**281 282**	**(15 552)**	**265 730**
Cost of goods sold	*B, E, J*	(1 530 172)	(158 461)	26 695	(131 766)
Employee benefit expenses		(312 602)	(32 383)	-	(32 383)
Other operating expenses	*A, H, J*	(757 065)	(80 065)	(17 928)	(97 993)
Depreciation and amortization	*A*	(50 480)	(5 601)	(1 342)	(6 943)
Operating profit/(loss)		**61 701**	**4 772**	**(8 127)**	**(3 355)**
Financial income	*I*	75 123	7 793	(7 587)	206
Financial expenses	*A, I*	(109 084)	(11 104)	9 363	(1 742)
Other financial gains/(losses)	*A, D, I*	-	(613)	(1 910)	(2 523)
Net financial result		**(33 961)**	**(3 925)**	**(134)**	**(4 058)**
Profit/(loss) before income tax		**27 740**	**847**	**(8 260)**	**(7 413)**
Income tax (expense)/income	*C, E, H*	(5 520)	(612)	1 741	1 129
PROFIT/(LOSS) FOR THE YEAR		**22 219**	**235**	**(6 520)**	**(6 284)**
Net other comprehensive income/(loss)		n.a.	n.a.	-	-
COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		**n.a.**	**n.a.**	**(6 520)**	**(6 284)**
Attributable to:					
Equity holders of the parent		21 955	233	(6 442)	(6 210)
Non-controlling interests		264	3	(77)	(75)
		22 219	235	(6 520)	(6 284)

8.5 Reconciliation of the Group's statement of cash-flows in accordance with IFRS for the latest period in the entity's most recent financial statements (year 2022)

Amounts in USD thousand	**Notes**	**NGAAP 2022 (NOK)**	**NGAAP (functional and presentation currency USD)**	**Adjustments and reclassifications (USD)**	**IFRS 2022 (USD)**
CASH FLOW FROM OPERATING ACTIVITIES:					
Profit/(loss) before income tax		27 740	581	(7 994)	(7 413)
Adjustments for:					
Depreciation and amortization	*A*	50 480	5 601	1 342	6 943
Net financial income and expenses	*A*	-	-	694	694
Net foreign exchange differences		-	(303)	-	(303)
Working capital changes:					
Decrease (increase) in inventories	*G*	105 284	13 840	7 223	21 063
Decrease/(increase) in trade receivables, contract assets and prepayments		29 452	3 645	484	4 129
Change in trade payables, contract liabilities and other payables relating to operating activities	*G*	128 511	13 352	(19 655)	(6 303)
Change in provisions relating to operating activities		-	-	156	156
Changes in other receivables and payables	*F*	(276 564)	(34 526)	34 526	-
Income tax paid		(42 651)	(4 432)	-	(4 432)
Interests received		-	-	206	206
Net cash flow from operating activities		**22 251**	**(2 241)**	**16 981**	**14 740**
CASH FLOW FROM INVESTMENT ACTIVITIES:					
Expenditures on intangible assets		(208 853)	(21 700)	5 596	(16 104)
Payment of deposits		-	-	(5 013)	(5 013)
Expenditures on property, plant and equipment		-	-	(2 529)	(2 529)
Net cash flow from investing activities		**(208 853)**	**(21 700)**	**(1 946)**	**(23 646)**
CASH FLOW FROM FINANCING ACTIVITIES:					
Payments of loans and borrowings		-	-	(25 528)	(25 528)
Interests paid		-	-	(902)	(902)
Net cash received (paid) from borrowings		(66 764)	(9 262)	9 262	-
Cash receipt from borrowings		-	-	14 379	14 379
Payment of principal portion of lease liabilities	*A*	-	-	(1 079)	(1 079)
Transactions with non-controlling interests		11 116	1 019	-	1 019
Net cash flow from financing activities		**(55 648)**	**(8 243)**	**(3 867)**	**(12 110)**
Net increase/(decrease) in cash and cash equivalents	*F*	(242 249)	(32 185)	11 175	(21 016)
Cash and cash equivalents at the beginning of the period	*F*	637 279	72 259	3 828	76 087
Cash and cash equivalents at the end of the period	*F*	395 029	40 074	15 003	55 071

8.6 Explanation of adjustments and reclassifications

A. Leases

Under NGAAP, the Group accounted for its leases as operating leases, therefore recognizing expenses on a straight-line basis over the lifetime of the contract, and not recognizing any right-of-use assets or lease liabilities. Under IFRS, the Group has identified leases where right-of-use assets and lease liabilities should be recognized.

This adjustment resulted in recognition of USD 3 150 thousand of right-of-use assets as well as recognition of USD 2 653 thousand of lease liabilities, USD 170 thousand of provisions and a USD 327 thousand reduction of other current assets on the date of transition to IFRS. The difference between lease liabilities and right-of-use assets relate to prepayments reclassified as right-of-use assets. During 2022, depreciation and financial expenses increased by USD 1 342 and 92 thousand respectively whereas other operating expenses decreased by USD 1 191 thousand. Due to the leases being denominated in NOK, there was USD 303 thousand other financial gains recognized related to foreign currency gains. At the end of the same period, right-of-use assets and lease liabilities increased to USD 2 030 thousand and USD 1 495 thousand, respectively together with an increase of USD 154 thousand of provisions and USD 47 thousand increase in retained earnings.

In the consolidated statement of cash flows under IFRS, payments for leases recognised as lease liabilities are classified as cash flows from financing activities. Under NGAAP, all lease payments were classified as cash flow from operating activities.

B. Customs duties and VAT on imports

Under NGAAP, the Group recognized amounts collected on behalf of tax authorities as a principal. These taxes apply to certain jurisdictions where the Group's customer is considered the importer of record. This led to gross recognition of customs duties and VAT on imports, both as revenue and costs of goods sold. Under IFRS, the Group has considered indicators defining whether the Group is acting as a principal or an agent under IFRS 15 and concluded that it meets the definition of an agent. Therefore, amounts presented as revenue from contracts with customers and corresponding cost of materials have been presented net, resulting in netting of USD 10 295 thousand for the 2022 financial year.

C. Identification of performance obligations and allocation of the transaction price

The Group has remeasured the allocation of the transaction price for free services offered together with the sale of its tablets, in accordance with Step 4 of IFRS 15 (allocating transaction price to performance obligations). Valuation was made in accordance with stand-alone subscription price of the free services, mainly based on the market price of these services when sold separately and recognized as revenue in line with the provision of the free services. On 1 January 2022, this resulted in the recognition of other current liabilities for USD 1 373 thousand, with a corresponding decrease of retained earnings for USD 1 071 thousand as well as USD 302 thousand increase in net deferred tax assets.

During 2022, this adjustment resulted in decrease in revenue of USD 5 257 thousand, with corresponding net increase of other current liabilities for the same amount. Additionally, this adjustment resulted in the decrease of income tax expense of USD 1 156 thousand with a corresponding increase of net deferred tax assets for the same amount as well as a decrease of USD 4 100 thousand in retained earnings for the same period.

D. Functional and presentation currency of the companies within the Group

For all periods up to and including 31 December 2022, the Group prepared its financial statements with NOK as its presentation currency, which was also considered the accounting currency of the companies within the Group under NGAAP. The Group used the possibility in NGAAP to use NOK as its accounting currency for measurement and presentation of the financial statements.

However, the Group has decided to present its first IFRS consolidated financial statements in USD, which has also been concluded to be the functional currency of the companies within the Group for all periods covered in these financial statements. See Section 2.1.1 for further details on how this assessment has been made. The change of presentation currency and use of the functional currency as the accounting currency resulted in a net increase in foreign currency losses of USD 654 thousand for 2022, and adjustment to opening equity of USD 1 294 thousand.

The translation has been carried out in the consolidated statement of financial position by applying to monetary items the closing rate, and to non-monetary amounts the exchange rate at the time items were recognized in the financial statements. For the consolidated statement of financial performance and consolidated statement of changes in cash flows, average monthly rates have been applied to the underlying transactions originally booked as NOK.

E. Estimation of return asset

Under NGAAP, the Group did not recognize return assets for the expected returns of tablets. Under IFRS, the Group has determined a return asset should be recognized (see Section 3.2). This resulted in the recognition of other current assets for USD 882 thousand, with a net increase in retained earnings of USD 690 thousand and a decrease of net deferred tax assets of USD 192 thousand at 1 January 2022.

During 2022, cost of goods sold has been reduced by USD 179 thousand with a corresponding increase in other current assets. This has also resulted in an increase of income tax expense by USD 70 thousand with a corresponding reduction of net deferred tax assets and an increase in retained earnings of USD 110 thousand for the same period.

F. Classification as cash equivalents

Under NGAAP, the Group has been presenting amounts held in payment processors (PSPs) as other current assets. Under IFRS, the Group has established an accounting policy of recognizing these amounts as cash equivalents, to the extent that requirements mentioned in Section 6.3 are met. This has resulted in a reclassification in the statement of financial position of USD 3 829 thousand and USD 14 995 thousand at the date of 1 January 2022, and 31 December 2022, respectively.

This reclassification also explains the net increase in cash and cash equivalents in the consolidated statement of cash flows as a consequence of the transition to IFRS, and adjusted from changes in other receivables and payables.

G. Recognition of inventories based on control assessment

As explained in Section 6.1, the Group has recognized reMarkable-specific inventory held by its electronic manufacturing suppliers. Under NGAAP, the Group's accounting policies was to not account for these inventories until they were physically received from its electronic manufacturing suppliers.

This resulted in USD 11 295 thousand being recognized as an increase in inventories with a corresponding increase in other current liabilities at 1 January 2022. Subsequently, inventories and other current liabilities were reduced by USD 7 223 thousand at 31 December 2022. These increases in inventories also affected the change in inventories, and changes in trade payables in the consolidated statement of cash flows.

H. Capitalization of intangible assets in software as a service systems

As described in Section 4.2, the Group uses significant judgement when capitalizing costs under IFRS in relation to implementing software as a service systems. Based on the analysis of the costs incurred and other relevant factors under the IFRS guidance, the Group has expensed previously capitalized intangible assets for an amount of USD 2 795 thousand which resulted in corresponding increase in other operating expenses as well as decrease in income tax expense equal to USD 600 thousand with an increase in net deferred tax assets for the same amount as well as a decrease of USD 2 195 in retained earnings at 31 December 2022.

I. Classification of foreign exchange gains and losses

For all periods up to and including 31 December 2022, the Group classified foreign currency gains and losses as financial income and expenses, respectively. Under IFRS, it has been established an accounting policy of recognizing these amounts net as other financial gains/losses. This resulted in a reclassification of USD 7 587 thousand foreign currency gains and USD 9 449 thousand foreign currency losses (USD 1 862 thousand net loss) for the year ended on 31 December 2022.

J. Classification of selling and distribution costs

For all periods up to and including 31 December 2022, the Group recognized selling and distribution costs as cost of materials. Under IFRS, it has been concluded that other operating expenses is a more appropriate category for classification of these costs. This resulted in a reclassification of USD 30 021 thousand for the year ended on 31 December 2022.

K. Classification of provisions

For all periods up to and including 31 December 2022, the Group presented provisions as other current liabilities. Under IFRS, it has been concluded that provisions should be presented separately (see Section 6.5). This resulted in a reclassification of USD 717 thousand and USD 873 thousand on 1 January 2022 and 31 December 2022, respectively.

L. Classification of subscription revenue

The Group has been presenting subscription revenue as other income for all periods up to and including 31 December 2022. Under IFRS, it has been established that this revenue should be presented with revenue from contracts with customers (see Section 3.2). This resulted in a reclassification of USD 15 171 thousand from other income to revenue from contracts with customers.

INCOME STATEMENT – REMARKABLE HOLDING AS

Amounts in NOK thousand	**Notes**	**2023**	**2022**
Other operating expenses	*2, 3*	(546)	(1 195)
Total operating expenses		**(546)**	**(1 195)**
Operating profit/(loss)		**(546)**	**(1 195)**
Income from investment in subsidiary	*4, 5*	0	1 180
Other financial income	*4*	0	1 102
Net financial result		**0**	**2 282**
Profit/(loss) before income tax		**(546)**	**1 086**
Income tax expense	*6*	120	0
PROFIT/(LOSS) FOR THE YEAR		**(426)**	**1 086**
Transfers			
Other equity		0	1 086
Loss brought forward		426	0
Total transfers and allocations		**(426)**	**1 086**

BALANCE SHEET – REMARKABLE HOLDING AS

Amounts in NOK thousand	**Notes**	**31 December 2023**	**31 December 2022**
ASSETS			
Non-current assets			
Investment in subsidiaries	*8*	151 229	149 825
Deferred tax assets	*6*	120	0
Total non-current assets		**151 350**	**149 825**
Current assets			
Receivables from group companies	*5*	1 757	1 846
Cash and cash equivalents	*9*	22 968	24 677
Total current assets		**4 352**	**283**
TOTAL ASSETS		**176 093**	**176 348**

Amounts in NOK thousand		31 December 2023	31 December 2022
EQUITY AND LIABILITIES			
EQUITY			
Share capital	*7, 10*	2 544	2 544
Share premium reserve	*7*	163 942	163 942
Other equity	*7*	9 373	9 799
Total equity	***7***	**175 859**	**176 285**
LIABILITIES			
Trade payables		21	63
Public duties payable		213	0
Total current liabilities		**234**	**63**
Total liabilities		**234**	**63**
TOTAL EQUITY AND LIABILITIES		**176 093**	**176 348**

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Magnus Haug Wanberg	**Marius Juul Møller**	**Kevin Thau**
Chair of the Board	*Board member*	*Board member*
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Susanne Lunde	**Geir Kristian Faller**	
Board member	*Board member*	

Oslo (Norway)

19 June 2024

INDIRECT CASH FLOW – REMARKABLE HOLDING AS

Amounts in NOK thousand	**Notes**	**2023**	**2022**
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit/(loss) before income tax		(546)	(1 086)
Change in accounts payable		155	(193)
Change in other accrual items		(1 075)	(594)
Net cash flow from operating activities		**(1 466)**	**299**
CASH FLOW FROM INVESTMENT ACTIVITIES:			
Payments to buy shares and participation in other companies		(1 404)	(342)
Net cash flow from investing activities		**(1 404)**	**(342)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from Group contributions		1 180	0
Payment of Group contributions		0	(12 869)
Net cash flow from financing activities		**1 180**	**(12 869)**
Net increase/(decrease) in cash and cash equivalents		(1 691)	12 826
Cash and cash equivalents at the beginning of the period		24 677	11 851
Cash and cash equivalents at the end of the period		**22 986**	**24 677**

NOTES TO FINANCIAL STATEMENTS – REMARKABLE HOLDING AS

1. Accounting principles

The company was established 19.10.2018. reMarkable Holding AS is the ultimate parent company in reMarkable group. The company owns the majority of reMarkable Invest AS with reMarkable Employee Share Holding I AS as minority owner of reMarkable Invest AS.

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The financial statements are presented in NOK thousands. As a result of this, rounding differences may occur.

Functional currency, reporting currency and presentation currency

For reMarkable Holding AS (Holding company in the Group) it is concluded that this company has no activities of its own (other than being the holding company) and therefore it is regarded as an extension of one of its subsidiaries, reMarkable AS, where the dominating and functional currency is USD. Under the Norwegian Accounting Act §3-4, the company has the availability to choose NOK as accounting currency and has therefore decided to apply NOK as both accounting currency and presentation currency.

Income tax

The tax expense consists of changes to deferred tax. Deferred tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 22 % of the temporary differences that exist between book value and tax values, as well as tax loss carry- forwards at the close of the financial year. Deferred tax assets are recorded on the balance sheet when it is likely that the tax assets will be utilized.

Balance sheet classifications

Current assets and short- term liabilities consist of receivables and payables due within one year. Other balance sheet items are classified as fixed assets/ long- term liabilities.

Other short-term receivables

Other short- term receivables are recorded on the balance sheet at nominal value.

Use of estimates

The management has used estimates and assumptions that have affected assets and expenses in accordance with generally accepted accounting principles in Norway. None of the lines in the accounts are subject to significant estimation uncertainty.

Subsidiaries and associated companies

The investments are valued at cost of the shares in the subsidiary, less any impairment losses.

2. Personnel costs and pension

The company does not have any employees or personnel cost. No payments were made to the Group CEO or members of the board. The company is not required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension.

3. Other operating expenses

Overview of Other operating expenses	**2023**	**2022**
Office equipment rental	51	7
Audit fees	405	525
Accounting fees	64	20
Legal fees	4	409
Insurance	0	230
Other fees	22	5
Total Other operating expenses	**546**	**1 195**

4. Financial income and expenses

Financial income	**2023**	**2022**
Income from investment in subsidiary (group contribution)	0	1 180
Interest income	0	0
Currency gain	0	1 102
Total Financial income	**0**	**2 282**

Financial expenses	**2023**	**2022**
Financial expenses	0	0
Total Financial expenses	**0**	**2 282**

5. Related party transactions

Other short-term receivables on subsidiaries	**2023**	**2022**
Short-term receivables	1 757	1 846
Total	**1 757**	**1 846**

6. Income Tax

This year's tax expense	**2023**	**2022**
Entered tax on ordinary profit/loss:		
Payable tax	0	0
Changes in deferred tax assets	(120)	0
Tax expense on ordinary profit/loss	**(120)**	**0**
Taxable income:		
Result before tax	(546)	1 086
Non-taxable Group contribution	0	(1 086)
Taxable income	**(546)**	**0**

Payable tax in the balance:		
Payable tax on this year's result	0	(260)
Payable tax on received Group contribution	0	260
Total payable tax in the balance	**0**	**0**

The tax effect of temporary differences that has formed the basis for deferred tax and deferred tax asset, specified on type of temporary differences

Deferred tax assets	**2023**	**2022**	**Difference**
Accumulated loss to be brought forward	(546)	0	546
Basis for deferred tax	**(546)**	**0**	**546**
Deferred tax asset (22%)	**(120)**	**0**	**120**

Deferred tax asset on the balance sheet is allocated based on differences between accounting and taxrelated values according to the Norwegian accounting standard for tax. Temporary tax- increasing and taxreducing differences that can be offset are recognised net. Temporary differences are related to accumulated loss brought forward.

7. Equity

Amounts in NOK thousand	**Issued capital**	**Share premium**	**Other equity capital**	**Total equity**
Balance at 1 January 2022	**2 544**	**163 942**	**9 799**	**176 285**
Profit/(loss) for the year	-	-	(426)	(426)
Balance at 31 December 2022	**2 544**	**163 942**	**9 373**	**175 859**

8. Investment in subsidiaries

Company	**Location**	**Owner interest**	**Book value 31.12.2023**
reMarkable Invest AS	Oslo, Norway	98.00%	149 198
reMarkable Employee Share Holding I AS	Oslo, Norway	41.65%	2 032

Investments in reMarkable Invest AS is accounted for by using the cost method.

reMarkable Invest AS was established at the end of 2021 for the purpose of holding 100% of the shares in reMarkable AS and issue shares to reMarkable Employee Share Holding I AS as part of the employee share purchase program. reMarkable Holding AS is the ultimate parent company and owns the majority of reMarkable Invest AS with reMarkable Employee Share Holding I AS as minority owner of reMarkable Invest AS. The Company owned 67% of the voting rights in reMarkable Employee Shareholding I AS at period end. These voting rights are as a consequence of the A-Shares held by the Company. These voting rights confer the Company control over reMarkable Employee Shareholding I AS.

9. Bank deposits

The company has NOK 23m as bank deposits and there are no restrictions to these funds.