

ellipticlabs

# Q4 & Preliminary Full Year 2022 Report (Unaudited)

AI Virtual Smart Sensor Platform™



Proximity



Presence



Distance



Gesture



Positioning



Connection



Breathing



Heartbeat

## Q4 and full year 2022 Highlights

In 2022, Elliptic Labs expanded our AI Virtual Smart Sensor products across customers, models, and verticals. The company ended the year with three of the top five PC/Laptop OEMs as customers – a commercial traction that took only a fraction of what it took to make a similar impact in the smartphone vertical. Elliptic Labs has established a broad platform for further expansion in the years to come.

### Highlights from Q4 2022:

- Signed additional license agreement with laptop OEM, fifth expansion agreement for AI Virtual Presence Sensor covering more laptop models
- Signed enterprise license contracts with two new top-3 laptop OEM
- Launched AI Virtual Proximity Sensor on seven new smartphones

### Subsequent to Q4 2022:

- Signed software license contract with new Top-5 smartphone OEM
- Signed new contract with existing smartphone customer
- Signed first Proof of Concept (PoC) for new operating system (OS) with existing customer in the PC-market

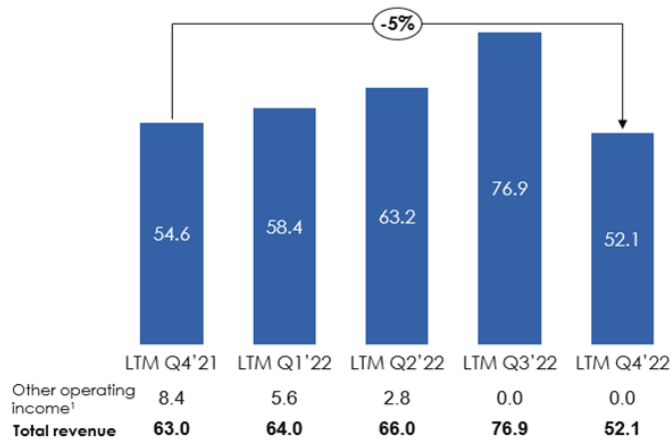
For the full year 2022, Elliptic Labs Revenues from contracts with customers was mNOK 52.1 compared to mNOK 54.6, a -5% decrease. Elliptic Labs Revenues from contracts with customers of mNOK 9.8 (34.7) for the Fourth Quarter 2022 an -72% decrease. The decrease in Q4, was a result of lower revenue in the smartphone vertical as Elliptic Labs' largest smartphone customer did not place an upfront 12-months commitment for 2023 in the fourth quarter of 2022, but instead placed a smaller upfront one-quarter minimum commitment.

The full year revenue was composed of 39% from the smartphone vertical, 54% from the laptop vertical, and 7% from IoT. Laptop revenue is license revenue from one laptop model launched, combined with milestones revenue, highlighting the revenue potential for the already signed 20+ models across the current three laptop customers.

Last twelve months (LTM) revenue from contracts with customers had a negative -5% development year-over-year to mNOK 52.1, with a corresponding EBITDA of mNOK -30.8.

**Revenue from contracts with customers last twelve months**

NOK million, LTM



1) Other operating income mainly reflects research grants, Innovation Norway support, etc.

## Outlook

Successful expansion into the PC/laptop market supports Elliptic Labs' long-term growth ambitions. However, the company's customers in both the smartphone and PC/laptop markets currently see an uncertain near-term demand outlook, and adding uncertainty to Elliptic Labs' revenue target. The company previously aimed for revenue of NOK 500 million in 2023 but given the current low market visibility this will be delayed into 2024-25.

## Message from the CEO

**2022 was a milestone year for us as we rapidly expanded the PC/laptop market share with our cutting-edge AI software-based sensor platform. Our success is reflected in having signed three of the world's top five PC manufacturers, setting us on a path towards widespread adoption and dominance in the market. Our progress in this market is a testament to our speed, agility and technology maturity, as it took us only a fraction of the time it took us to make a similar impact in the smartphone market. Additionally, we are exploring new frontiers in the IoT space. We will continue to focus on building the leading software platform for all sensors, making every device smarter, more human- and environmentally friendly.**

While we made significant strides and expanded into a new market during the year, the ongoing economic uncertainty has impacted demand in both the smartphone and PC/laptop markets. As we stated at the third quarter, the expected lumpiness has occurred as market slowdown and clouded visibility for our largest smartphone customer. This resulted in a lower upfront minimum commitment compared to the three past years, from a 12-month contract to a smaller minimum contract resulting in lower revenue performance for us in the fourth quarter. As we look ahead to 2023, we remain optimistic, although we anticipate that our progress may continue to be lumpy quarter to quarter.

That being said, Elliptic Labs has never been in a better position. We have a solid commercial foundation, a nimble business model centered on 100% software products, and appropriate funding to bring our ambitious business plan to fruition. Our priority is to continue to secure more customers and partners with well-crafted, long-term agreements, as we manage our organization to accommodate our expected growth. All while maintaining a sharp focus on managing cash and maintaining financial solidity.

We're proud to empower many of the world's top technology OEMs in enhancing customer loyalty in a challenging market with our comprehensive AI Virtual Smart Sensor™ products.



**"In Q4, despite the economic and market headwinds, we added two of the top five PC makers as customers, positioning us well for long term growth."**

Our AI Virtual Smart Sensor Platform delivers frictionless user experiences while reducing cost, risk, and environmental impact. Efficiently, we're at the beginning of making inroads into a massive multi-billion dollar market opportunity by leveraging the proven scalability of our solid platform, concurrently tackling multiple verticals, several of world largest companies, and expanding the deployment of our AI Virtual Smart Sensor products. To put our progress into perspective, it took us six years to add two of the top 5 smartphone customers – but only 18 months to add on 3 of the top 5 PC customers.

Our successful expansion into the PC/laptop market supports our long-term growth ambitions. However, our customers in both the smartphone and PC/laptop markets currently see an uncertain near-term demand outlook, and thus adding uncertainty to the timing of our target as well. We have previously aimed for revenue of NOK 500 million in 2023 but given the current low market visibility this will be delayed into 2024-25.

Yet, as I stated earlier, we have never been in a better position, as we are building upon a larger customer base across multiple verticals. We will remain focused and disciplined in how we execute our top priorities to strengthen and expand long-term revenue opportunities in 2023 and beyond.

## Financial summary for the Group's YTD Q4 2022 (unaudited)

Comparable amounts for Q4 2021 are presented in parentheses.

### Operating revenue

Total revenue and other operating income had a -72% decrease year-on-year to mNOK 9.8 in Q4 2022 (34.7). Total revenue and other operating income for Fourth Quarter 2022 and 2021 only consist of revenue from licenses.

For the full year 2022 revenue from contracts with customers came in at mNOK 52.1 (54.6), a decrease of -5% compared to 2021. Total revenue and other operating income for 2022 was mNOK 52.1 compared to mNOK 63.0 in 2021.

The decrease is primarily driven by lower volume and clouded future visibility in the smartphone vertical, resulting in a reduction in upfront commitment contract from our largest smartphone customer.

Compared to 2021 where 100% of revenue came from the smartphones vertical, 2022 revenue was diversified and included a 39% contribution from smartphones, 64% from PC/Laptops and 7% from IoT.

Q4 2022 included PC license revenue in addition to the smartphone license revenue.

### Operating expenses and EBITDA

Operating expenses amounted to mNOK 22.5 (24.9) in the Fourth quarter 2022, excluding depreciation and amortization. For the full year 2022 the figure was mNOK 82.9 (65.9).

Employee benefits expenses amounted to mNOK 16.9 (18.8) in the Fourth quarter 2022, including mNOK 2.9 (7.2) in expenses related to the Groups share option program. Other operating expenses was mNOK 5.6 (6.1). For the full year 2022 employee benefits expenses amounted to mNOK 62.8 (50.8) including mNOK 12.5 (10.3) in expenses related to the Groups share option program. Other operating expenses was mNOK 20.1 (15.1) in 2022.

Employee benefits expenses was lower in Fourth Quarter 2022 compared to Fourth Quarter 2021 due to one offs related to the Groups share option program mNOK 2.9 (7.2). The Group's other operating expenses was reduced from Fourth quarter 2021 to Fourth quarter 2022 mainly due to expenses related to the uplifting process to Oslo Børs that was in in process fourth quarter 2021.

The full year cost increase reflects a significantly higher activity level, and effect of personnel cost related new hires. Personnel costs are also effected by exchange rates. From year end 2021 to year end 2022 the company has added 13 FTE to a total of 72 employees.

As a result, the company reported an EBITDA of mNOK -12.6 in the Fourth quarter (9.8) and mNOK -30.8 (-2.8) for 2022.

### Operating profit (EBIT)

The Group generated in the Fourth Quarter an operating loss of mNOK -15.8 (7.7) and mNOK -42.1 (-11.1) for 2022.

Depreciation and amortisation amounted to mNOK 3.2 (2.1) for the Fourth quarter and mNOK 11.3 (8.3) for 2022 as a whole. The increase mainly reflects higher amortization of patents and capitalized development intangibles. For 2022 amortization of internally developed R&D and patents overall amounted to mNOK 8.7 (6.1) and depreciation of leased assets to mNOK 2.7 (2.2).

### Financial items

Fourth quarter net financial items amounted to mNOK -7.2 (-0.9). The Group has limited amounts of debt thus the primary factor for Financial items is agio/disagio, due to currency fluctuation. Financial items for 2022 was mNOK 2.8 (-2.0).

### Profit/loss

Fourth quarter loss before tax was mNOK -23.0(6.8). The loss before tax was for 2022 mNOK -39.3 (-13.1).

The tax was mNOK 4.5 (-2.5), resulting in a loss after tax of mNOK -18.6 (4.3) for the Fourth Quarter. The Income tax was positive mNOK 6.8 (1.9) for 2022 resulting in loss of mNOK -32.5 (-11.2).

### Cash flow

The Cash flow from operating activities Fourth quarter was mNOK -11.5 (11.3), mainly due to the operating loss in the quarter, although change in net due outstanding account receivable and other accruals contributed positively to the operating cash flow from operating activities in the quarter.

Cash flow from investing activities was mNOK -7.4 (-9.2) due to Capitalized development costs.

Cash flow from financing activities was mNOK -2.1 (7.3) due to Repayments of current borrowings, Payments of lease liabilities, classified as financing activities and interests paid.

The Cash flow from operating activities for 2022 was mNOK -12.8 (-10.8), mainly due the operating loss throughout the year from higher operational activity, although change in net other accruals contributed positively.

Cash flow from investing activities was mNOK -23.3 (-17.6) due to Capitalized development costs.

Cash flow from financing activities was mNOK -4.3 (146.8) due to Repayments of current borrowings, Payments of lease liabilities, classified as financing activities and interests paid.

Cash and cash equivalents at the end of the period were mNOK 178.2 (218.2). The cash flow from operations is within management expectations.

### Financing and debt

The Group's equity at year end was mNOK 326.2 (342.8). The Group had Total non-current liabilities of mNOK 6.5 (10.5) at the end of 2022.

Total non-current liabilities and Total current liabilities was mNOK 23.7 (28.6) and continue to decline as the company repay its debt.

The Group maintains a sharp focus on expense and cash flows and navigates from a strong cash position mNOK 178.2 (218.2).

## Risks and uncertainty factors

Elliptic Labs strategy and growth ambitions require an adequate cash position to fund the R&D activities needed to drive the technology and product roadmaps forward. In addition, a strong balance sheet is required to be able to meet thresholds set by customers. Elliptic Labs' cash position was mNOK 178 at the end of 2022, and the Board of Directors assess this as sufficient to carry out Elliptic Labs' business plans.

China continued to lift Covid restrictions into 2023, and the government reports that the country has entered a low level as the epidemic has maintained on a steady downward trend. Although positive signals from China, the global semi-conductor market and leading global OEMs continue to suffer as weakened end-user demand and increased inventory levels impacts the entire value chain. Elliptic Labs' customers in the smartphone and laptop markets are affected, and the company continues to monitor the situation.

The war in Ukraine has currently no direct impact of Elliptic Labs current operations. The company continues to monitor the situation.

Elliptic Labs is exposed to foreign exchange risk, as revenues from contracts with customers almost entirely are nominated in USD and or EUR whereas the largest portion of operating expenses are in NOK. Changes in the NOK/USD/EUR may result in change in top line and may effect profit before tax on an annual basis.

Please see the annual report for walkthrough of other potential operational risk and financial risk.



# Consolidated financial statements

## Consolidated statement of comprehensive income

For the financial period ended 31 December 2022 and 31 December 2021.

(Amounts in 000 NOK)	Notes	Q4 2022 (Unaudited)	Q4 2021 (Unaudited)	2022 (Unaudited)	2021 (Audited)
Revenues from contracts with customers		9 848	34 669	52 062	54 598
Other operating income	8	—	—	—	8 438
<b>Total revenue and other operating income</b>	<b>2</b>	<b>9 848</b>	<b>34 669</b>	<b>52 062</b>	<b>63 036</b>
Employee benefits expenses		-16 935	-18 784	-62 802	-50 807
Other operating expenses	3	-5 556	-6 131	-20 073	-15 058
<b>EBITDA</b>	<b>4</b>	<b>-12 643</b>	<b>9 754</b>	<b>-30 814</b>	<b>-2 829</b>
Depreciation and amortisation	4	-3 160	-2 095	-11 317	-8 311
<b>Operating expenses</b>		<b>-25 651</b>	<b>-27 010</b>	<b>-94 193</b>	<b>-74 176</b>
<b>Operating profit</b>		<b>-15 803</b>	<b>7 658</b>	<b>-42 131</b>	<b>-11 140</b>
Financial income		1 926	2 022	17 317	3 730
Financial expenses		-9 153	-2 874	-14 488	-5 683
<b>Net financial income/(expenses)</b>		<b>-7 227</b>	<b>-853</b>	<b>2 829</b>	<b>-1 953</b>
<b>Profit/(loss) before tax</b>		<b>-23 030</b>	<b>6 806</b>	<b>-39 302</b>	<b>-13 093</b>
Income tax expense		4 472	-2 483	6 846	1 878
<b>Profit/(loss)</b>		<b>-18 558</b>	<b>4 323</b>	<b>-32 456</b>	<b>-11 215</b>
Other comprehensive income:					
Foreign currency rate changes, may be reclassified to profit or loss		-399	7	416	59
Other comprehensive income, net of tax		<b>-399</b>	<b>7</b>	<b>416</b>	<b>59</b>
<b>Total comprehensive income for the period</b>		<b>-18 956</b>	<b>4 330</b>	<b>-32 040</b>	<b>-11 156</b>
Loss for the period is attributable to:					
Equity holders of the parent company		-18 956	4 330	-32 040	-11 156
Earnings per share outstanding*		-0.18	0.04	-0.31	-0.11
Earnings per share fully diluted*		-0.18	0.04	-0.31	-0.11

\*Earnings per share for all periods is updated to reflect share split in ratio 1:10 in September 2021.

## Consolidated statement of financial position

At 31 December 2022, and 31 December 2021 respectively

<i>(Amounts in 000 NOK)</i>	<i>Notes</i>	<b>31/12/22</b> <i>(Unaudited)</i>	<b>31/12/21</b> <i>(Audited)</i>
<b>Non-current assets</b>			
Deferred tax assets	7	69 380	62 534
Intangible assets	4	47 574	36 564
Right of use assets		2 256	2 790
Other non-current receivables		5 038	4 517
<b>Total non-current assets</b>		<b>124 247</b>	<b>106 406</b>
<b>Current assets</b>			
Current trade receivables		40 495	29 025
Other current receivables		6 905	17 773
Cash and cash equivalents	6	178 219	218 151
<b>Total current assets</b>		<b>225 619</b>	<b>264 949</b>
<b>Total assets</b>		<b>349 866</b>	<b>371 356</b>
<b>Equity and liabilities</b>			
Share capital		1 041	1 038
Other equity		325 124	341 731
<b>Total equity</b>		<b>326 165</b>	<b>342 769</b>
Non-current lease liabilities		523	530
Non-current borrowings		6 000	10 000
<b>Total non-current liabilities</b>		<b>6 523</b>	<b>10 530</b>
Current borrowings		4 000	4 000
Trade and other current payables		1 668	3 029
Current tax liabilities		—	—
Current lease liabilities		2 184	2 611
Other current liabilities		9 327	8 416
<b>Total current liabilities</b>		<b>17 179</b>	<b>18 056</b>
<b>Total equity and liabilities</b>		<b>349 866</b>	<b>371 356</b>

## Consolidated statement of changes in equity

Attributable to owners of Elliptic Laboratories ASA.

2022 (Amounts in 000 NOK)	Share capital	Other paid in capital	Other equity	Translation reserve	Total equity
<b>Shareholders' equity at 01.01.2022</b>	<b>1 038</b>	<b>342 545</b>	<b>-574</b>	<b>-240</b>	<b>342 769</b>
Profit (loss) for the period	—	—	-32 456	—	-32 456
Other comprehensive income for the period	—	—	—	416	416
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>-32 456</b>	<b>416</b>	<b>-32 040</b>
<i>Transactions with owners:</i>					
Capital increase through issuance of ordinary shares	2	2 970	—	—	2 972
Transactions costs related to issuance of ordinary shares, net of tax	—	—	—	—	—
Employee share schemes	—	—	12 464	—	12 464
<b>Shareholders' equity at 31.12.2022</b>	<b>1 041</b>	<b>345 514</b>	<b>-20 566</b>	<b>175</b>	<b>326 165</b>

2021 (Amounts in 000 NOK)	Share capital	Other paid in capital	Other equity	Translation reserve	Total equity
<b>Shareholders' equity at 01.01.2021</b>	<b>958</b>	<b>187 153</b>	<b>292</b>	<b>-299</b>	<b>188 104</b>
Profit (loss) for the period	—	—	-11 214	—	-11 214
Other comprehensive income for the period	—	—	—	59	59
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>-11 214</b>	<b>59</b>	<b>-11 156</b>
<i>Transactions with owners:</i>					
Capital increase through issuance of ordinary shares	80	162 138	—	—	162 218
Transactions costs related to issuance of ordinary shares, net of tax	—	-6 745	—	—	-6 745
Employee share schemes	—	—	10 349	—	10 349
<b>Shareholders' equity at 31.12.2021</b>	<b>1 038</b>	<b>342 545</b>	<b>-574</b>	<b>-240</b>	<b>342 769</b>

## Consolidated statement of cash flows

For the financial period ended 31 December 2022 and 2021

(Amounts in 000 NOK)	(Unaudited) <b>Q4 2022</b>	(Unaudited) <b>Q4 2021</b>	(Unaudited) <b>2022</b>	(Audited) <b>2021</b>
<b>Cash flow from operating activities</b>				
Profit/(loss) before tax	-23 030	6 806	-39 302	-13 093
Adjustment for:				
Taxes paid in the period	—	-24	745	-12
Depreciation	3 160	2 095	11 317	8 311
Share-based payments	2 932	7 157	12 464	10 349
Items classified as financing activities	153	148	571	653
Change in current trade receivable	588	-16 409	-11 469	-28 599
Change in trade payables	501	1 259	-1 361	2 040
Change in other accruals	4 181	10 264	14 276	9 528
<b>Net cash flows from operating activities</b>	<b>-11 514</b>	<b>11 296</b>	<b>-12 758</b>	<b>-10 823</b>
<b>Cash flow from investing activities</b>				
Capitalized development costs	-7 378	-9 200	-23 327	-17 610
<b>Net cash flows from investing activities</b>	<b>-7 378</b>	<b>-9 200</b>	<b>-23 327</b>	<b>-17 610</b>
<b>Cash flow from financing activities</b>				
Payments of lease liabilities, classified as financing activities	-988	-558	-2 662	-2 232
Repayments of current borrowings	-1 000	-2 000	-4 000	-4 000
Proceeds from issuing shares	—	10 060	2 972	162 218
Payments for share issue costs	—	-12	—	-8 533
Interests paid, classified as financing activities	-153	-148	-571	-653
<b>Net cash flows from financing activities</b>	<b>-2 141</b>	<b>7 342</b>	<b>-4 261</b>	<b>146 800</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>-21 033</b>	<b>9 438</b>	<b>-40 347</b>	<b>118 367</b>
Cash and cash equivalents at the beginning of the period	199 651	208 705	218 151	99 724
Effect of foreign currency rate changes on cash and cash equivalents	-399	7	416	59
<b>Cash and cash equivalents at the end of period</b>	<b>178 219</b>	<b>218 151</b>	<b>178 219</b>	<b>218 151</b>

# Notes to the consolidated financial accounts

## Note 1 – Accounting principles

### 1.1 General information

Elliptic Laboratories ASA and its subsidiaries, Elliptic Laboratories Inc and Healthy Pointers AS (together "Elliptic Labs" or the "Group") develop and sell technical solutions, which enable the interaction and information exchanges between individuals and technical devices, based on ultrasound software technology. Such devices are mobile phones, laptops, devices within the IoT-market and various other devices that could deploy the Group's software technology to enhance the user experience. Investments in and cooperation with other companies are also part of the Group's purpose.

The domicile of the Group is Oslo, Norway. The Group's head office is at Akersgata 32, 0180 Oslo.

### 1.2 Summary of significant accounting principles

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1.2.1 Basis of preparation

The Fourth quarter consolidated financial statements of the Group have been prepared in accordance with IAS 34 for the financial reporting of the Fourth quarter of 2022 and 2021.

The consolidated financial statements have been prepared under the historical cost convention, as modified by derivatives at fair value through profit or loss. This report has not been subject to audit.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

These consolidated financial statements have been prepared under the assumption of a going concern.

#### 1.2.2 Operating revenues

Revenue from providing services is recognised in the accounting period in which the services are rendered.

Revenue from licenses which give a right to use is recognised at point in time and licenses which give a right to access is recognised over time. Royalty based revenue is recognised as sales occur when exceeding the minimum fixed fee.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual cost spent relative to the total cost.

Some contracts include multiple performance obligations, such as an engineering service and the subsequent licensing of IP, which are accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by Elliptic Laboratories exceed the payment, a contract asset or a receivable is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes a royalty for devices sold, revenue is recognised in the amount to which Elliptic Laboratories has a right to invoice.

### 1.2.3 Basis for loss provisions

When determining possible loss provision, the Group undertakes an individual assessment of each customer based on the size of the contract and various risk factors related to the customer's creditworthiness.

## Note 2 – Total revenue and other operating income

Revenues from contracts with customers have the following distribution as recognized over time or at point in time:

(Amounts in 000 NOK)	Q4 2022	Q4 2021	2022	2021
Revenue recognised over time	—	—	—	4 809
Revenue recognised at point in time	9 848	34 669	52 062	49 789
<b>Total revenue</b>	<b>9 848</b>	<b>34 669</b>	<b>52 062</b>	<b>54 598</b>

Revenues from contracts with customers consists of two significant revenue streams:

License for IP and subsequent royalties are recognized at point in time when the software has been made available to the customer, and then in increments as minimum production thresholds are met if royalty-based revenue exceed the minimum fixed fee if any. For the financial year and 2021 and to Q2 2022, the majority of the contracts from which revenue was recognized were of the minimum fixed fee character. Starting H2.2022 Elliptic Labs will recognize license revenue from shipped units for some its contracts in addition to the minimum fixed revenue model.

Development and testing of software (Proof of Concept) is considered as a separate performance obligation and is recognized over time based on the actual services provided to the end of the reporting period as a proportion of the total services to be provided.

As at 31.12 all recognized revenues are unconditional as the related performance obligations have been satisfied.

Other operating income consists in total of government grants, which are recognized over time on a systematic basis over the periods in which the entity recognizes expenses for the related costs for which the grants are intended to compensate.

## Note 3 – Other operating expenses

(Amounts in 000 NOK)	Q4 2022	Q4 2021	2022	2021
Sales and marketing expenses	1 577	1 609	5 385	4 750
Short-term lease expenses	-30	217	966	730
Electricity, heating and other property expenses	302	237	1 399	899
Consultants	959	1 417	3 560	2 834
Auditor	313	1 032	1 054	1 193
Legal	139	962	1 361	1 564
Patents	271	203	578	520
IT/Software	1 454	785	4 430	2 504
Other expenses	738	646	1 782	1 041
Government grants recognized as other cost reduction	-168	-977	-441	-977
<b>Total other operating expenses</b>	<b>5 556</b>	<b>6 131</b>	<b>20 073</b>	<b>15 058</b>

Short-term lease expenses is negative TNOK -30 in Q4 2022. This relates to a one-time effect due to reclassification of a lease agreement earlier treated as out of scope of IFRS 16 and charged directly to the P&L. The lease agreement in questions commenced in January 2022, but the full reclassification effect on the Balance Sheet and P&L was charged in Q4.

## Note 4 - Intangible assets

<b>2022 (Amounts in 000 NOK)</b>	<b>Patents</b>	<b>Trademark</b>	<b>Capitalized development</b>	<b>Total intangible assets</b>
Cost at 01.01.2022	17 213	24	40 705	57 942
Additions	2 432	0	17 232	19 665
<b>Cost at 31.12.2022</b>	<b>19 646</b>	<b>24</b>	<b>57 937</b>	<b>77 607</b>
Accumulated amortization charges 01.01.2022	11 322	6	10 049	21 377
Amortization charges	514	0	8 141	8 655
<b>Accumulated amortization charges 31.12.2022</b>	<b>11 836</b>	<b>6</b>	<b>18 190</b>	<b>30 032</b>
<b>Net booked value as at 31.12.2022</b>	<b>7 810</b>	<b>18</b>	<b>39 747</b>	<b>47 574</b>
Useful life:	5	5	5	
Amortization method:	Straight-line	Straight-line	Straight-line	

IFRS 16 Leases depreciation for the period 1 January to 31 December 2022 was TNOK 2 662.

<b>2021 (Amounts in 000 NOK)</b>	<b>Patents</b>	<b>Trademark</b>	<b>Capitalized development</b>	<b>Total intangible assets</b>
Cost at 01.01.2021	15 003	24	28 513	43 540
Additions	2 211	0	12 192	14 403
<b>Cost at 31.12.2021</b>	<b>17 213</b>	<b>24</b>	<b>40 705</b>	<b>57 942</b>
Accumulated amortization charges 01.01.2021	10 946	6	4 347	15 298
Amortization charges	376	0	5 703	6 079
<b>Accumulated amortization charges 31.12.2021</b>	<b>11 322</b>	<b>6</b>	<b>10 049</b>	<b>21 377</b>
<b>Net booked value as at 31.12.2021</b>	<b>5 891</b>	<b>18</b>	<b>30 656</b>	<b>36 564</b>
Useful life:	5	5	5	
Amortization method:	Straight-line	Straight-line	Straight-line	

## Note 5 – Share option programs

As of 31 December 2022, the Group has option programs that includes a total of 56 employees in parent and subsidiary companies. The employees must work in the Group to be entitled to exercise the options at the time of vesting.

After Q2 2022 there was an exercise of share options by option holders resulting in an increase of the Company's share capital by NOK 233.40, by the issuance of 23 340 new shares to a total of 104 074 210 shares.

In Q1 2022 the board of directors decided on a new long-term share option program whereas upward to 2,5% of outstanding shares may be distributed yearly to the employees and management. In Q1 2022 the board awarded 54 employees and management the right to acquire 2 335 862 shares in aggregate.

As of 31 December 2022, the total number of outstanding options for both employees and management equal in shares were 5 306 474 whereas 1 827 520 were vested. The option program gives the employees the right to approx. 4.9% of total outstanding shares, including outstanding options.

The purpose of the establishment of the option programs is to attract and retain key personnel. The fair value of the options is calculated at the grant date, based on the Black-Scholes model, and expensed over the vesting period of 4 years.

## Note 6 – Cash and cash equivalents

<i>(Amounts in 000 NOK)</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Cash and cash equivalents	178 219	218 151
<b>Of which are restricted cash:</b>		
Restricted bank deposits for employee tax withholdings	1 782	1 324
<b>Not restricted cash</b>	<b>176 438</b>	<b>216 827</b>

## Note 7 – Estimates

The deferred tax assets include an amount of mNOK 69.4 which relates to carried forward tax losses of Elliptic Laboratories ASA. Elliptic Laboratories ASA has incurred the losses over the last several years mainly due to expenses relating to research and development of intangible assets which do not meet the capitalization criteria. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on profitability. Its scalable business model, entered into contracts with customers and expectations of future growth of business opportunities based on already established customer relations in several market verticals. Elliptic Laboratories ASA expects the carried forward tax loss to be utilized within a few years. The losses can be carried forward indefinitely and have no expiry date.

## Note 8 – Government grants

The table below sets forth the treatment of government grants.

<i>(Amounts in 000 NOK)</i>	<b>Q4 2022</b>	<b>Q4 2021</b>	<b>2022</b>	<b>2021</b>
Recognized as income from other sources	—	—	—	8 438
Reduction of capitalized patents	4	6	4	6
Reduction of capitalized development	863	3 208	3 659	3 208
Recognized as payroll cost reduction	152	-3 035	646	565
Recognized as other cost reduction	168	977	441	977
<b>Total government grants</b>	<b>1 188</b>	<b>1 156</b>	<b>4 750</b>	<b>13 194</b>



## Note 9 – Alternative performance measures (APMs)

Earnings before interest, taxes, depreciation and amortizations. EBITDA is a key performance indicator that the Group considers relevant for understanding the generation of profit before investments in fixed assets.

<i>(Amounts in 000 NOK)</i>	Notes	<b>Q4 2022</b> (Unaudited)	<b>Q4 2021</b> (Unaudited)	<b>2022</b> (Unaudited)	<b>2021</b> (Audited)
Revenues from contracts with customers		9 848	34 669	52 062	54 598
Other operating income	8	—	—	—	8 438
<b>Total revenue and other operating income</b>	<b>2</b>	<b>9 848</b>	<b>34 669</b>	<b>52 062</b>	<b>63 036</b>
Employee benefits expenses		-16 935	-18 784	-62 802	-50 807
Other operating expenses	3	-5 556	-6 131	-20 073	-15 058
<b>EBITDA</b>	<b>9</b>	<b>-12 643</b>	<b>9 754</b>	<b>-30 814</b>	<b>-2 829</b>

Last twelve months (LTM) refers to the timeframe of the immediately preceding 12 months.

<i>(Amounts in 000 NOK)</i>	<b>Q4 2022</b>	<b>Q3 2022</b>	<b>Q2 2022</b>	<b>Q1 2022</b>	<b>LTM</b>
Revenues from contracts with customers	9 848	27 077	9 621	5 516	<b>52 062</b>
EBITDA	-12 643	6 234	-10 964	-13 441	<b>-30 814</b>

## Note 10 – Subsequent events

The 4th of January Elliptic Labs announced it had signed software license contract with new Top-5 Smartphone OEM Customer.

The 26th of January Elliptic Labs announced that it signed Proof of Concept Contract with Existing Laptop Customer for an alternative operating system.

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**For further information, please contact:**

Laila B. Danielsen, CEO Elliptic Laboratories ASA  
Telephone: + 1 415 26 97 676  
E-mail: [laila@ellipticlabs.com](mailto:laila@ellipticlabs.com)

Lars Holmøy, CFO Elliptic Laboratories ASA  
Telephone: +47 40 28 40 28  
E-mail: [lars.holmoy@ellipticlabs.com](mailto:lars.holmoy@ellipticlabs.com)

[www.ellipticlabs.com](http://www.ellipticlabs.com)