

ellipticlabs

2022

Q3 Report (unaudited)

AI Virtual Smart Sensor Platform™



Proximity



Presence



Gesture



Positioning



Connection



Breathing



Heartbeat

Q3 Highlights

Highlights from Q3 2022:

- A significant portion of Q3'22 revenue was from laptops, of which majority is a milestone delivery
- Signed additional license agreement with laptop OEM, fifth expansion agreement for AI Virtual Presence Sensor covering more laptop models
- Signed Proof-of-Concept agreement for newly launched product, AI Virtual Position Sensor, with top-3 Laptop OEM
- Signed License agreement with new smartphone customer
- Launched AI Virtual Proximity Sensor on six new smartphones

Subsequent to Q3 2022:

- Launched on 2 additional smartphone models

Elliptic Labs, a global AI software company and leader in AI Virtual Smart Sensors for the smartphone, laptop, Internet of Things (IoT), and automotive industries, reports Revenues from contracts with customers of mNOK 27.1 (13.4) for the Third Quarter 2022 an approximately 102% increase. For the YTD 2022 mNOK 42.2 (19.9) is reported as Revenues from contracts with customers, a 112% increase.

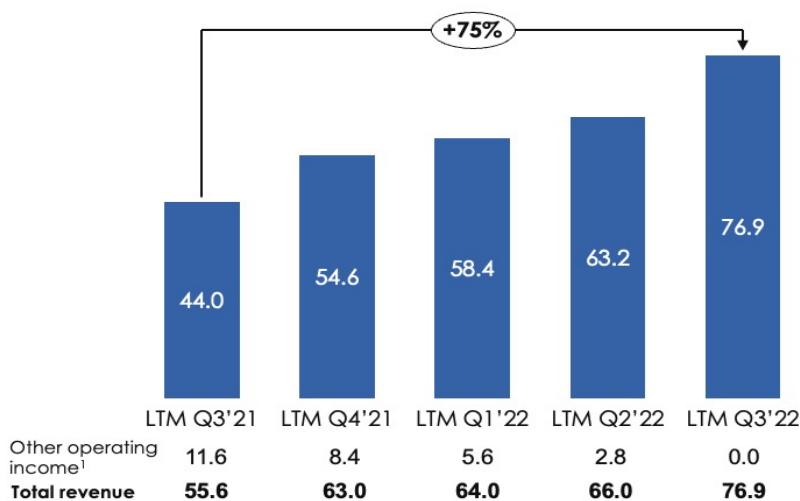
Total revenue and other operating income was mNOK 27.1 (16.2) for the Third Quarter 2022 . This corresponds to a total revenue growth of 67% year over year.

EBITDA was a positive mNOK 6.2 (-0.4) for the Third Quarter 2022 and for YTD 2022 negative mNOK -18.2 (-12.6)

Last twelve months (LTM) revenue from contracts with customers grew 75% year-over-year to mNOK 76.9, with a corresponding EBITDA of mNOK -8.4.

Revenue from contracts with customers last twelve months

NOK million, LTM



Message from the CEO

As we approach the end of 2022, we continue to make sturdy progress toward becoming the preferred 100% software-based virtual sensor platform for smartphones, laptops, IoT and other relevant devices. We see strong customer engagements in the Laptop market, and we anticipate that our planned product rollout across more laptop models and manufacturers will be the main medium-term growth driver towards our 2023 targets.

Our growth primarily depends on our ability to sign contracts for more models with more customers, and we are currently expanding on both accounts. This means that the current slowdown in the end-user market will to a lesser extent impact our long-term growth.

Looking forward, we expect laptop OEMs to increase their focus on innovative and software-centric solutions, to strengthen customer stickiness, and to broaden their connected product suites. Elliptic Labs is strategically positioned to enable manufacturers to introduce differentiating software-based solutions at a lower cost than current single-purpose hardware-based sensor solutions.

In the third quarter, our AI Virtual Proximity Sensor was utilized on six new smartphone lines by existing customers. We also signed an agreement with an undisclosed new smartphone customer to allow them to employ our technology on future product launches. To date, we have launched our technology on 70 different smartphone models, 28 of which were in 2022 alone. This creates a revenue platform from which we can expand into new verticals.

Our commercial efforts are currently being directed towards expanding in the laptop segment with both existing and new potential customers. We announced our first contract in this vertical with Lenovo in February 2022 — since then, we have expanded our relationship with them several times and are currently contracted for over 20 new models.



"In Q3 we received significant milestone revenue from our laptop customer, while expanding with more contracts in both the smartphone and laptop markets."

We began recognizing revenue from the first model rollout in the third quarter, which formed a significant portion of our overall quarterly revenue. This included both a onetime milestone revenue - will not be repeated in the next quarter – as well as end-user unit sales. Given the nature and structure of the contract, recognition of laptop revenue will likely fluctuate between quarters, and it will take time before we see the full effect of these contracts in our P&L.

We are confident that our AI Virtual Smart Sensor Platform holds great potential for broad deployment in the laptop market. The Platform offers a wide range of benefits, including differentiating features, reduced cost, reduced power consumption, elimination of hardware sourcing risks, and increased user security and privacy. The deployment of our AI Virtual Presence Sensor on Lenovo's bestseller ThinkPad T14 and further expansion on more models offers a validation of its value.

Elliptic Labs will continue to increase its number of customers, models and products, and will continue to enter into new verticals. Based on our growing number of projects in the PC market, we still maintain our ambitious revenue target of 500MNOK in 2023, but acknowledge that the general global uncertainties may impact our target.

Financial summary for the Group's YTD Q3 2022 (unaudited)

Comparable amounts for Q3 2021 are presented in parentheses.

Operating revenue

Total revenue and other operating income increased by 67% year-on-year to mNOK 27.1 in Q3 2022 (16.2). Total revenue and other operating income for the Third Quarter 2021 included mNOK 2.8 in Other operating income from grants whereas Third quarter 2022 did not have any Other operating income. Revenue from licenses increased by 102% to mNOK 27.1 (13.4) from the Third Quarter 2021 to the Third Quarter 2022.

For the YTD 2022 mNOK 42.2 (19.9) is reported as Revenues from contracts with customers, an 112% increase. The Total revenue and other operating income YTD 2022 was mNOK 42.2 (28.4) an 49% increase.

The increase is primarily driven by PC license revenue in addition to the smartphone revenue. Third Quarter was our first quarter where we recognized license revenue from PC sales. For the third quarter a significant portion of the revenue originated from the PC vertical.

The Q3 revenue reflects both a standalone milestone revenue and also license revenue. The milestone revenue will not be repeated in the coming quarter.

Operating expenses and EBITDA

Operating expenses amounted to mNOK 20.8 (16.6) in the Third quarter 2022, excluding depreciation and amortization. For YTD 2022 mNOK 60.4 (40.9)

Employee benefits expenses amounted to mNOK 16.3 (13.6) including mNOK 3.1 (1.6) in expenses related to the Groups share option program. Other operating expenses was mNOK 4.5 (3.0). For YTD 2022 Employee benefits expenses amounted to mNOK 45.9 (32.0) including mNOK 9.6 (3.2) in expenses related to the Groups share option program. Other operating expenses was mNOK 14.5 (8.9).

The cost increase reflects a significantly higher activity level, and effect of personnel cost related new hires. Personell costs are also effected by exchange rates. From September 2021 to September 2022 the company has added 14 FTE to a total of 69 employees.

As a result, the company reported an EBITDA of mNOK 6.2 in the Third quarter (-0.4) and mNOK -18.2 (-12.6) for YTD 2022.

Continued focus on hiring new personnel, including search and hiring cost contributes to higher Employee benefits expenses. The Third Quarter also saw continued increased travel activities across the group contributing to higher Other operating expenses, we expect to continue this trend for the next foreseeable quarters.

Operating profit (EBIT)

The Group generated in the Third Quarter an Operating profit of mNOK 3.5 (-2.5) and mNOK -26.3 (-18.8) for YTD 2022.

Depreciation and amortisation amounted to mNOK -2.7 (-2.1) for the Third quarter and mNOK -8.2 (-6.2) for YTD 2022.

Financial items

Third quarter net financial items amounted to mNOK 4.9 (-0.2). The Group has limited amounts of debt thus the primary factor for Financial items is agio/disagio, due to currency fluctuation. Financial items for YTD 2022 was mNOK 10.1 (-1.1).

Profit/loss

Third quarter profit before tax was mNOK 8.4(-2.7). The loss before tax was for YTD 2022 mNOK -16.3 (-19.9).

The tax was mNOK -1.7 (0.6), resulting in a profit after tax of mNOK 6.7 (-2.1) for the Third Quarter. The Income tax was positive mNOK 2.4 (4.4) for YTD 2022 resulting in loss of mNOK -13.9 (-15.5).

Cash flow

The Cash flow from operating activities Third quarter was mNOK -9.3 (-9.5). Change in net due outstanding account receivable contributed to a negative operating cash flow from the operating activities this quarter. Cash flow from investing activities was mNOK -5.4 (-2.9) due to Capitalized development costs. Cash flow from financing activities was mNOK -1.3 (142.6) due to Repayments of current borrowings, Payments of lease liabilities, classified as financing activities and interests paid.

The Cash flow from operating activities for YTD 2022 was mNOK -1.2 (-22.1), driven by improved profits before tax and positive net change in other accruals. Cash flow from investing activities was mNOK -15.9 (-8.4) due to Capitalized development costs. Cash flow from financing activities was mNOK -2.1 (139.5) 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 199.7 (208.7 in Q3 2021 and mNOK 218.2 at 31.12.2021). The cash flow from operations is within management expectations.

Financing and debt

The Group's equity was mNOK 342.2 (342.8 at year end 2021). The Group had Total non-current liabilities of mNOK 7.5 (10.5 at year end 2021).

Total non-current liabilities and Total current liabilities was mNOK 19.9 (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 199.7 (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 together with a strong balance sheet to be able to meet the thresholds of our customers.

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

In November 2022 China is again shutting down their cities due to, yet again, an outbreak of the COVID 19 virus. Making it difficult to predict what kind of impact it will have on Elliptic Labs revenue. In 2020 planned launches were cancelled or postponed and volume-based contracts ended with lower volume than calculated, so far no shutdown of production has incurred. The company continues to monitor the situation.

24 February 2022 Russia invaded Ukraine. Elliptic Labs has neither customers nor suppliers in Russia nor Ukraine and have concluded that there is no need to make impairments or any other adjustments to the financial figures. However, as the war continues Ukraine's production of neon, palladium, and C₄F₆, three materials crucial for microchips, could be impacted by the situation and thus further delay semiconductor production, indirectly affecting Elliptic Labs through its customers. It is too early to make a reasonable estimate of the effect of these events, but the Board of Directors remains positive about the future outlook for Elliptic Labs.

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 30 September 2022 and 2021, and 31 December 2021.

(Amounts in 000 NOK)	Notes	Q3 2022 (Unaudited)	Q3 2021 (Unaudited)	YTD 2022 (Unaudited)	YTD 2021 (Unaudited)	2021 (Audited)
Revenues from contracts with customers		27 077	13 401	42 214	19 929	54 598
Other operating income	8	—	2 813	—	8 438	8 438
Total revenue and other operating income	2	27 077	16 213	42 214	28 367	63 036
Employee benefits expenses		-16 341	-13 606	-45 867	-32 023	-50 807
Other operating expenses	3	-4 502	-2 985	-14 518	-8 927	-15 058
EBITDA	4	6 234	-377	-18 171	-12 582	-2 829
Depreciation and amortisation	4	-2 728	-2 083	-8 157	-6 215	-8 311
Operating expenses		-23 571	-18 673	-68 542	-47 165	-74 176
Operating profit		3 506	-2 460	-26 328	-18 798	-11 140
Financial income		7 448	590	15 391	1 708	3 730
Financial expenses		-2 532	-788	-5 335	-2 808	-5 683
Net financial income/(expenses)		4 916	-198	10 056	-1 101	-1 953
Profit/(loss) before tax		8 422	-2 658	-16 272	-19 898	-13 093
Income tax expense		-1 674	567	2 373	4 361	1 878
Profit/(loss)		6 748	-2 091	-13 898	-15 538	-11 215
Other comprehensive income:						
Foreign currency rate changes, may be reclassified to profit or loss		357	48	815	51	59
Other comprehensive income, net of tax		357	48	815	51	59
Total comprehensive income for the period		7 105	-2 043	-13 084	-15 486	-11 156
Loss for the period is attributable to:						
Equity holders of the parent company		7 105	-2 043	-13 084	-15 486	-11 156
Earnings per share outstanding*		0.07	-0.02	-0.13	-0.16	-0.11
Earnings per share fully diluted*		0.06	-0.02	-0.13	-0.16	-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 30 September 2022, and 31 December 2021 respectively

<i>(Amounts in 000 NOK)</i>	<i>Notes</i>	30/09/22 <i>(Unaudited)</i>	31/12/21 <i>(Audited)</i>	30/09/21 <i>(Unaudited)</i>
Non-current assets				
Deferred tax assets	7	64 907	62 534	66 129
Intangible assets	4	43 235	36 564	32 109
Right of use assets		1 116	2 790	3 348
Other non-current receivables		5 003	4 517	4 315
Total non-current assets		114 261	106 406	105 902
Current assets				
Current trade receivables		41 083	29 025	10 468
Other current receivables		7 133	17 773	23 599
Cash and cash equivalents	6	199 651	218 151	208 705
Total current assets		247 867	264 949	242 772
Total assets		362 128	371 356	348 674
Equity and liabilities				
Share capital		1 041	1 038	1 031
Other equity		341 148	341 731	320 289
Total equity		342 189	342 769	321 320
Non-current lease liabilities		530	530	1 225
Non-current borrowings		7 000	10 000	11 000
Total non-current liabilities		7 530	10 530	12 225
Current borrowings		4 000	4 000	4 000
Trade and other current payables		1 167	3 029	1 770
Current tax liabilities		—	—	304
Current lease liabilities		961	2 611	2 433
Other current liabilities		6 281	8 416	6 621
Total current liabilities		12 409	18 056	15 128
Total equity and liabilities		362 128	371 356	348 674

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
Shareholders' equity at 01.01.2022	1 038	342 545	-574	-240	342 769
Profit (loss) for the period	—	—	-13 898	—	-13 898
Other comprehensive income for the period	—	—	—	815	815
Total comprehensive income for the period	—	—	-13 898	815	-13 084
<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	—	—	9 531	—	9 531
Shareholders' equity at 30.09.2022	1 041	345 514	-4 940	574	342 189

2021 (Amounts in 000 NOK)	Share capital	Other paid in capital	Other equity	Translation reserve	Total equity
Shareholders' equity at 01.01.2021	958	187 153	292	-299	188 104
Profit (loss) for the period	—	—	-15 538	—	-15 538
Other comprehensive income for the period	—	—	—	51	51
Total comprehensive income for the period	—	—	-15 538	51	-15 486
<i>Transactions with owners:</i>					
Capital increase through issuance of ordinary shares	73	152 084	—	—	152 157
Transactions costs related to issuance of ordinary shares, net of tax	—	-6 646	—	—	-6 646
Employee share schemes	—	—	3 191	—	3 191
Shareholders' equity at 30.09.2021	1 031	332 591	-12 054	-248	321 320

Consolidated statement of cash flows

For the financial period ended 30 September 2022 and 2021

(Amounts in 000 NOK)	(Unaudited) Q3 2022	(Unaudited) Q3 2021	(Unaudited) YTD 2022	(Unaudited) YTD 2021	(Audited) 2021
Cash flow from operating activities					
Profit/(loss) before tax	8 422	-2 658	-16 272	-19 898	-13 093
Adjustment for:					
Taxes paid in the period	—	6	745	12	-12
Depreciation	2 728	2 083	8 157	6 215	8 311
Share-based payments	3 031	1 583	9 531	3 191	10 349
Items classified as financing activities	137	159	418	505	653
Change in current trade receivable	-26 265	-12 705	-12 057	-12 190	-28 599
Change in trade payables	-1 293	885	-1 862	781	2 040
Change in other accruals	3 966	1 123	10 095	-735	9 528
Net cash flows from operating activities	-9 273	-9 525	-1 245	-22 119	-10 823
Cash flow from investing activities					
Capitalized development costs	-5 444	-2 873	-15 950	-8 410	-17 610
Net cash flows from investing activities	-5 444	-2 873	-15 950	-8 410	-17 610
Cash flow from financing activities					
Payments of lease liabilities, classified as financing activities	-558	-558	-1 674	-1 674	-2 232
Repayments of current borrowings	-1 000	—	-3 000	-2 000	-4 000
Proceeds from issuing shares	350	151 801	2 972	152 157	162 218
Payments for share issue costs	—	-8 520	—	-8 520	-8 533
Interests paid, classified as financing activities	-137	-159	-418	-505	-653
Net cash flows from financing activities	-1 345	142 564	-2 120	139 458	146 800
Net Change in Cash and Cash Equivalents	-16 062	130 165	-19 314	108 929	118 367
Cash and cash equivalents at the beginning of the period	215 357	78 492	218 151	99 724	99 724
Effect of foreign currency rate changes on cash and cash equivalents	357	48	815	51	59
Cash and cash equivalents at the end of period	199 651	208 705	199 651	208 705	218 151

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 Third quarter consolidated financial statements of the Group have been prepared in accordance with IAS 34 for the financial reporting of the Third 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)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	2021
Revenue recognised over time	—	—	—	4 809	4 809
Revenue recognised at point in time	27 077	13 401	42 214	15 120	49 789
Total revenue	27 077	13 401	42 214	19 929	54 598

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 Q3 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 30.09 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)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	2021
Sales and marketing expenses	1 386	995	3 808	3 140	4 750
Short-term lease expenses	532	162	996	513	730
Electricity, heating and other property expenses	446	231	1 096	662	899
Consultants	754	305	2 601	1 093	2 510
Auditor	0	0	741	485	1 517
Legal	109	250	1 222	601	1 564
Patents	98	179	306	317	520
IT/Software	981	498	2 976	1 719	2 504
Other expenses	281	365	1 044	396	1 041
Government grants recognized as other cost reduction	-85	0	-273	0	-977
Total other operating expenses	4 502	2 985	14 518	8 927	15 058

Note 4 - Intangible assets

2022 (Amounts in 000 NOK)	Patents	Trademark	Capitalized development	Total intangible assets
Cost at 01.01.2022	17 213	24	40 705	57 942
Additions	1 545	0	11 609	13 154
Cost at 30.09.2022	18 758	24	52 314	71 096
Accumulated amortization charges 01.01.2022	11 322	6	10 049	21 377
Amortization charges	377	0	6 106	6 483
Accumulated amortization charges 30.09.2022	11 699	6	16 155	27 860
Net booked value as at 30.09.2022	7 059	18	36 159	43 235
Useful life:	5	5	5	
Amortization method:	Straight-line	Straight-line	Straight-line	

IFRS 16 Leases depreciation for the period 1 January to 30 September 2022 was TNOK 1 674.

2021 (Amounts in 000 NOK)	Patents	Trademark	Capitalized development	Total intangible assets
Cost at 01.01.2021	15 003	24	28 514	43 539
Additions	1 210	0	7 200	8 410
Cost at 30.09.2021	16 213	24	35 714	51 949
Accumulated amortization charges 01.01.2021	10 946	6	4 347	15 298
Amortization charges	264	0	4 277	4 541
Accumulated amortization charges 30.09.2021	11 210	6	8 624	19 840
Net booked value as at 30.09.2021	5 002	18	27 090	32 109
Useful life:	5	5	5	
Amortization method:	Straight-line	Straight-line	Straight-line	

Note 5 – Share option programs

As of 30 September 2022, the Group has option programs that includes a total of 58 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.

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 30 September 2022, the total number of outstanding options for both employees and management equal in shares were 5 410 540 whereas 1 801 620 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>	30.09.2022	31.12.2021
Cash and cash equivalents	199 651	218 151
Of which are restricted cash:		
Restricted bank deposits for employee tax withholdings	827	1 324
Not restricted cash	198 825	216 827

Note 7 – Estimates

The deferred tax assets include an amount of mNOK 64.9 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>	Q3 2022	Q3 2021	YTD 2022	YTD 2021	2021
Recognized as income from other sources	—	2 813	—	8 438	8 438
Reduction of capitalized patents	—	—	—	—	6
Reduction of capitalized development	937	—	2 796	—	3 208
Recognized as payroll cost reduction	165	1 200	493	3 600	565
Recognized as other cost reduction	85	—	273	—	977
Total government grants	1 188	4 013	3 563	12 038	13 194

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	Q3 2022 (Unaudited)	Q3 2021 (Unaudited)	YTD 2022 (Unaudited)	YTD 2021 (Unaudited)	2021 (Audited)
Revenues from contracts with customers		27 077	13 401	42 214	19 929	54 598
Other operating income	8	—	2 813	—	8 438	8 438
Total revenue and other operating income	2	27 077	16 213	42 214	28 367	63 036
Employee benefits expenses		-16 341	-13 606	-45 867	-32 023	-50 807
Other operating expenses	3	-4 502	-2 985	-14 518	-8 927	-15 058
EBITDA	9	6 234	-377	-18 171	-12 582	-2 829

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

<i>(Amounts in 000 NOK)</i>	Q3 2022	Q2 2022	Q1 2022	Q4 2021	LTM
Revenues from contracts with customers	27 077	9 621	5 516	34 669	76 882

Note 10 – Subsequent events

The 28th of October Elliptic Labs announced it launches on the Xiaomi Redmi Note 12 Pro and Note 12 Pro+ Smartphones for the Chinese Market

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