

ellipticlabs

2024 Q1 Report (Unaudited)

AI Virtual Smart Sensor Platform™



Elliptic Labs — Q1 2024: Entering 2024 with strong momentum

Elliptic Labs reports Revenues from contracts with customers of NOK 22.2 million in Q1 2024, an increase from NOK 4.0 million in the first quarter of last year. The first quarter historically represents the weakest quarter of the year for the company, the strong result and current revenue momentum stems from the strategic, technical, and commercial position built over the last year.

Elliptic Labs has launched its AI Virtual Smart Sensor Platform on 24 new smartphone models and 13 new laptop models so far in 2024, and the platform has been deployed on 120 smartphone models and 31 laptop models in total. By defining new architecture and industry standards together with key global ecosystem players and leveraging the company's global market leadership in AI Virtual Smart Sensors, Elliptic Labs is well positioned to maintain healthy growth going forward.

Highlights from Q1 2024:

- Launched AI Virtual Human Presence sensor on Thinkpad™ X1 Carbon Gen 12, X13 Gen 5, X13 2-in-1 Gen 5, and X1 2-in-1 Gen 9 14" laptops
- Signed contract with Xiaomi for several new smartphones
- Signed new expansion license contract with global top-5 smartphone customer Transsion
- Signed software license contract with new Hong-Kong based smartphone customer
- Signed new expansion license contract with existing global top-5 smartphone customer
- Launched on 16 new smartphone models, including 4 models with Infinix, 3 models with Honor, 3 models with Xiaomi, 3 models with TECNO, 2 models with VIVO, and 1 model with Lava International

Events after the end of the quarter:

- Shipping on 4 select models of Lenovo's newest ThinkPad™ P Series Workstation Laptops, the P1 Gen 7, P16v i Gen 2, P16s i Gen 3, and P14s i Gen 5
- Launched several new smartphones including VIVO V30e, VIVO Z9 Turbo, VIVO IQOO Z9, VIVO Y200, Ant Design Mobile MIAD 01, Infinix GT 20 Pro, Redmi Turbo 3, and Honor 200 Lite

Total revenue and other operating income was NOK 22.6 million (4.0) for the first quarter 2024. This corresponds to a total revenue increase of 458% year-over-year.

Outlook

With a sharp revenue increase in the first quarter, revenues from customer contracts total NOK 86 million over the last 12 months to Q1 2024, up 70% year-on-year. Given the potential revenue from already launched models as well as our upcoming pipeline, the underlying revenue growth is expected to continue at a healthy pace.

However, some of the main contracts currently being negotiated with large new customers have taken longer than anticipated, and the company is as a result redefining its NOK 500 million target to a mid-term ambition rather than a point estimate for 2025. Elliptic Labs remains confident that it is a question of “when” and not “if” it will fulfil its revenue ambition.

Looking ahead, the company remains focused on monetizing the existing contract portfolio and to secure significant volume commitments in new contracts. Furthermore, Elliptic Labs expects to launch more models with more laptop customers and remains excited about the development and commercialization of new high-value AI Virtual Smart Sensors.

As the only player to have deployed AI Virtual Smart Sensors at scale, Elliptic Labs is in pole position to take advantage of a market recovery and the continued innovation in the laptop and smartphone industries. The company remains operationally and financially fit to continue its growth journey.

Message from the CEO

Elliptic Labs delivered NOK 22 million total revenue in the first quarter 2024 — a more than fivefold increase compared to the same quarter in 2023. This strong start is especially telling, considering the first quarter is historically our weakest quarter of the year. Q1 2024's success reflects last year's efforts to strengthen our strategic, technical, and commercial position. So far this year, we have launched our AI Virtual Smart Sensors on 24 new smartphone models and 13 new laptop models, and we have a healthy pipeline for the remainder of the year. We are also very excited to see the high interest level in our AI Virtual Seamless Sensor — a new product that provides truly innovative use cases for our customers.

Elliptic Labs' AI Virtual Smart Sensor Platform™ continues to define the standard for AI software-based sensors. Since our first launch in 2016, our technology has been deployed on 120 different smartphone models from more than a dozen different OEMs. We had our first launch in the laptop market in 2022 and have since released our platform on 31 different laptop models with Lenovo, a major industry leader. We have also established customer relationships with three more of the top-six laptop OEMs.

These successes have made us a leader in our market segment and have earned us a place as a key contributor in the MIPI alliance — a global business alliance that defines technical specifications for the mobile ecosystem. We are now in process to define industry standards and architecture in collaboration with other key global ecosystem players like Microsoft, Intel, Qualcomm, and Cirrus Logic.



Elliptic Labs delivered NOK 22 million total revenue in Q1 2024 — a more than 5X increase compared to Q1 2023. This successful start to 2024 reflects last year's efforts to strengthen our strategic, technical, and commercial position.

With our sharp year-on-year revenue increase in the first quarter, our revenues from customer contracts amount to NOK 86 million over the last 12 months to Q1 2024. This is up 70% from around NOK 50 million in 12 months leading up to Q1 2023. Given the potential revenue from already launched models as well as our upcoming pipeline, we anticipate our underlying revenue growth to continue at a healthy pace.

However, we acknowledge that the sales cycles from contract signings and product launches through to end-user sales and revenue recognition are taking longer than expected. This is mainly due to the market roller-coaster our customers have been experiencing for the last few years. The boom in the electronics industry during Covid was followed by a sharp cyclical downturn from which the hardware OEMs are only just recovering. Given this market backdrop, our customers have found it very hard to forecast volumes with any certainty. As a result, some OEMs have been less willing to commit to minimum volumes, some have cut back on

investments in innovation, and some have postponed new launches.

We still believe it remains a question of “when” — and not “if” — we will fulfil our NOK 500 million revenue ambition. What is this belief based on? First, the presumption that improving end-user sales will enable us to fully monetize our existing contract portfolio. Second, that our concerted efforts to include significant volume commitments in new contracts will result in increased revenue. Third, that we are on path towards launching more models with more laptop customers, expanding both our reach and our income. Finally, our dedication to developing new AI Virtual Smart Sensors that offer even more value to both our customers and us.

Based on our work with customers as they plan for 2024, 2025, and 2026 launches, we see that they still find it hard to forecast volumes. The resulting uncertainties with respect to the timing of contracts, launches, and revenue recognition mean we should look at the NOK 500 million revenue target as a mid-term ambition rather than a point estimate for 2025.

We believe our first quarter figures are a proof point that we are moving in the right direction, and we are working doggedly towards the goals we have set for ourselves. As the only player to have deployed AI Virtual Smart Sensors at scale, we are in pole position to take advantage of a market recovery and the continued innovation in the laptop and smartphone industries. We remain in good shape to continue our growth journey both operationally and financially, and I am looking forward to an exciting continuation of 2024.

Financial summary for the Group's YTD Q1 2024 (unaudited)

Comparable amounts for Q1 2023 are presented in parentheses.

Operating revenue

Total revenue and other operating income shows an 458% increase year-on-year to mNOK 22.6 (4.0) in Q1 2024. Total revenue and other operating income for First Quarter 2024 included mNOK 0.4 (0.0) in Other operating income from grants. Revenues from contracts with customers increased by 449% to mNOK 22.2 (4.0) from the First Quarter 2023 to the First Quarter 2024.

In Q1 2024, a significant portion of the revenue originated from contracts with fixed minimum license fees. However, there was an increased contribution from license fees on shipped units, a trend that is expected to continue in future periods.

Operating expenses and EBITDA

Operating expenses amounted to mNOK 25.9 (24.5) in the First quarter 2024, excluding depreciation and amortization.

Employee benefits expenses amounted to mNOK 21.5 (18.9) in the First quarter 2024, including mNOK 1.8 (3.0) in expenses related to the Groups share option program. Other operating expenses was mNOK 4.3 (5.5).

The increase in Employee benefits expenses reflects additions of 15 FTEs compared to First Quarter 2023 and also full year effect from new hires 2023. Other operating expenses are down compared to First Quarter 2023 mainly due to a positive effect of mNOK 2.2 (0.4) related to recoveries of previously written-off receivables in 2018.

As a result, the Group reported an EBITDA of mNOK -3.3 (-20.4) in the First quarter 2024.

Operating profit (EBIT)

The Group generated in the First quarter 2024 an operating loss of mNOK -8.3 (-24.1).

Depreciation and amortization amounted to mNOK 5.0 (3.7) for the First quarter 2024, reflecting higher amortization of patents and capitalized development intangibles, as well as a rise in depreciation charges on lease contracts in accordance with the IFRS® 16 standard.

Financial items

First quarter 2024 net financial items amounted to mNOK 5.1 (5.7) The Group has limited amounts of debt, thus the primary factor explaining changes in the Financial items is agio/disagio, due to currency fluctuation.

Profit/loss

First Quarter loss before tax was mNOK -3.2 (-18.4).

The tax was mNOK 0.5 (3.5), resulting in a profit after tax of mNOK -2.6 (-14.9) for the First quarter 2024.

Cash flow

The Cash flow from operating activities in First Quarter was mNOK -8.3 (-16.6). The operating loss in the quarter, and negative change in net due outstanding account receivable, both contributed to a negative cash flow from operating activities this quarter.

Cash flow from investing activities was mNOK -6.4 (-6.1) mainly related to Capitalized development costs. Cash flow from financing activities was mNOK -3.0 (-1.8) due to repayments of current borrowings, payments of lease liabilities, and interest payments.

Cash and cash equivalents at the end of the period were mNOK 99.9 (115.6). The cash flow from operations is within management expectations.

Financing and debt

The Group's equity at quarter end was mNOK 306.7 (307.1 at year end 2023). The Group had Total non-current liabilities of mNOK 14.9 (17.9 at year end 2023) at the end of First quarter 2024.

Total non-current liabilities and Total current liabilities was mNOK 41.4 (42.8).

The Groups increase in current trade receivables in 2023 and YTD 2024 is attributed to the varying payment terms of the groups contracts in line with IFRS 15 standard. As our revenue grows, an increase in trade receivables is anticipated. However, the ratio of trade receivables to revenue is expected to decrease over time.

The Group maintains a sharp focus on expenses and cash flows and navigates from a strong cash position mNOK 99.9 (115.6).

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 99.9 at the end of Q1 2024, and the Board of Directors assess this as sufficient to carry out Elliptic Labs' business plans.

The global semiconductor market, along with major global Original Equipment Manufacturers (OEMs), experienced a decrease in end-user demand in 2023, resulting in inventory imbalances affecting the entire value chain. This downturn noticeably impacted our clients in the smartphone and laptop sectors. However, semiconductor trade statistics forecast growth in the global semiconductor market for 2024, following the decline in 2023. The company continues to monitor the situation closely

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 2023 for walkthrough of other potential operational risk and financial risk.

Consolidated financial statements

Consolidated statement of comprehensive income

For the financial period ended 31 March 2024 and 2023, and 31 December 2023.

<i>(Amounts in 000 NOK)</i>	<i>Notes</i>	Q1 2024	Q1 2023	2023
		(Unaudited)	(Unaudited)	(Audited)
Revenues from contracts with customers		22 232	4 050	68 321
Other operating income	9	357	—	1 312
Total revenue and other operating income	2	22 590	4 050	69 632
Employee benefits expenses		-21 549	-18 939	-80 552
Other operating expenses	3	-4 332	-5 518	-22 599
EBITDA		-3 291	-20 407	-33 519
Depreciation and amortization	4,5	-4 960	-3 718	-16 224
Operating expenses		-30 840	-28 175	-119 375
Operating profit		-8 251	-24 126	-49 743
Financial income		6 184	6 545	12 191
Financial expenses		-1 093	-853	-9 306
Net financial income/(expenses)		5 091	5 692	2 886
Profit/(loss) before tax		-3 160	-18 434	-46 857
Income tax expense		544	3 537	8 856
Profit/(loss)		-2 616	-14 897	-38 001
Other comprehensive income:				
Foreign currency rate changes, may be reclassified to profit or loss		355	297	151
Other comprehensive income, net of tax		355	297	151
Total comprehensive income for the period		-2 261	-14 600	-37 850
Loss for the period is attributable to:				
Equity holders of the parent company		-2 261	-14 600	-37 850
Earnings per share outstanding		-0.02	-0.14	-0.36
Earnings per share fully diluted		-0.02	-0.14	-0.36

Consolidated statement of financial position

At 31 March 2024, 31 December 2023 and 31 March 2023 respectively

<i>(Amounts in 000 NOK)</i>	<i>Notes</i>	31/03/24 <i>(Unaudited)</i>	31/12/23 <i>(Audited)</i>	31/03/23 <i>(Unaudited)</i>
Non-current assets				
Deferred tax assets	8	78 229	77 685	72 374
Intangible assets	4	60 803	57 814	49 714
Right of use assets		19 340	19 447	1 636
Property, plant and equipment	5	434	460	—
Other non-current receivables		8 923	8 861	8 164
Total non-current assets		167 729	164 266	131 889
Current assets				
Current trade receivables		69 268	60 612	41 203
Other current receivables		11 131	9 448	8 869
Cash and cash equivalents	7	99 926	115 582	153 951
Total current assets		180 325	185 642	204 023
Total assets		348 054	349 909	335 912
Equity and liabilities				
Share capital		1 048	1 048	1 041
Other equity		305 608	306 060	312 969
Total equity		306 656	307 109	314 010
Non-current lease liabilities		13 854	15 874	558
Non-current borrowings		1 000	2 000	5 000
Total non-current liabilities		14 854	17 874	5 558
Current borrowings		4 000	4 000	4 000
Trade and other current payables		3 781	3 855	1 023
Current lease liabilities		6 126	3 990	1 489
Other current liabilities		12 637	13 080	9 833
Total current liabilities		26 544	24 926	16 345
Total equity and liabilities		348 054	349 909	335 912

Consolidated statement of changes in equity

Attributable to owners of Elliptic Laboratories ASA.

2024 (Amounts in 000 NOK)	Share capital	Other paid in capital	Other equity	Translation reserve	Total equity
Shareholders' equity at 01.01.2024	1 048	355 002	-49 268	326	307 109
Profit (loss) for the period	—	—	-2 616	—	-2 616
Other comprehensive income for the period	—	—	—	355	355
Total comprehensive income for the period	—	—	-2 616	355	-2 261
<i>Transactions with owners:</i>					
Capital increase through issuance of ordinary shares	—	—	—	—	—
Transactions costs related to issuance of ordinary shares, net of tax	—	—	—	—	—
Employee share schemes	—	—	1 808	—	1 808
Shareholders' equity at 31.03.2024	1 048	355 002	-50 075	681	306 656
<i>Transactions with owners:</i>					
Capital increase through issuance of ordinary shares	—	—	—	—	—
Transactions costs related to issuance of ordinary shares, net of tax	—	—	—	—	—
Employee share schemes	—	—	2 988	—	2 988
Shareholders' equity at 31.03.2023	1 041	345 514	-21 109	175	325 622
Profit (loss) for the period	—	—	-14 897	—	-14 897
Other comprehensive income for the period	—	—	—	297	297
Total comprehensive income for the period	—	—	-14 897	297	-14 600
<i>Transactions with owners:</i>					
Capital increase through issuance of ordinary shares	—	—	—	—	—
Transactions costs related to issuance of ordinary shares, net of tax	—	—	—	—	—
Employee share schemes	—	—	2 988	—	2 988
Shareholders' equity at 31.03.2023	1 041	345 514	-33 018	472	314 010

Consolidated statement of cash flows

For the financial period ended 31 March 2024 and 2023, and 31 December 2023.

(Amounts in 000 NOK)	(Unaudited) Q1 2024	(Unaudited) Q1 2023 ¹	(Audited) 2023
Cash flow from operating activities			
Profit/(loss) before tax	-3 160	-18 434	-46 857
Adjustment for:			
Taxes paid in the period	—	—	9
Depreciation and amortization	4 960	3 718	16 224
Share-based payments	1 808	2 988	9 842
Net finance items	-5 218	—	-3 369
Items classified as investing or financing activities	566	166	-1 031
Change in current trade receivable	-8 655	-708	-20 118
Change in trade payables	-75	-645	2 187
Change in other accruals	1 451	-3 715	-2 396
Net cash flows from operating activities	-8 321	-16 630	-45 509
Cash flow from investing activities			
Purchase of property, plant and equipment	—	—	-514
Capitalized development costs	-7 257	-6 092	-25 099
Interest received	891	—	4 642
Net cash flows from investing activities	-6 367	-6 092	-20 971
Cash flow from financing activities			
Payments of lease liabilities, classified as financing activities	-1 456	-677	-5 007
Repayments of current borrowings	-1 000	-1 000	-4 000
Proceeds from issuing shares	—	—	9 495
Paid interest on loan	-121	-166	-589
Paid interest on lease liabilities	-443	—	-1 356
Proceeds from government grants	—	—	3 663
Net cash flows from financing activities	-3 020	-1 843	2 206
Net Change in Cash and Cash Equivalents	-17 709	-24 565	-64 274
Cash and cash equivalents at the beginning of the period	115 582	178 219	178 219
Effect of foreign currency rate changes on cash and cash equivalents	355	297	151
Exchange rate effects bank	1 698	—	1 486
Cash and cash equivalents at the end of period	99 926	153 951	115 582

¹ In the Annual Report 2023, the cash flow model was updated to a more detailed version. Consequently, some cash flow items have been reclassified under different activities compared to prior reports. However, the Q1 2023 figures are presented as previously disclosed.

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 Hausmannsgate 21, 0182 Oslo.

1.2 Summary of material 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 First quarter consolidated financial statements of the Group have been prepared in accordance with IAS 34 for the financial reporting of the First quarter of 2024 and 2023.

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® Accounting Standards as adopted by the EU, 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 recognized in the accounting period in which the services are rendered.

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

For fixed-price contracts, revenue is recognized 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 recognized. If the payments exceed the services rendered, a contract liability is recognized.

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

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)	Q1 2024	Q1 2023	2023
Revenue recognised over time	—	—	—
Revenue recognised at point in time	22 232	4 050	68 321
Total revenue	22 232	4 050	68 321

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 ("milestone") if any. For the financial year 2023 and YTD 2024, the majority of the contracts from which revenue was recognized were of the minimum fixed fee character, but a growing share of reported revenue comes from royalties on shipped units, and is expected to increase going forward.

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. No such revenue has been recognized in 2023 or YTD 2024.

As at 31 March 2024 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.

In April 2023; A former client failed to meet the agreed-upon payment of \$425.000USD for software delivered in 2022. Elliptic Labs deems the dispute as a breach of contract and has thus decided to pursue the payments through the ICC International Court of Arbitration as regulated in the contract. The arbitration court proceeding was held on February 29, 2024, with expected award from ICC before summer 2024.

Note 3 – Other operating expenses

(Amounts in 000 NOK)	Q1 2024	Q1 2023	2023
Sales and marketing expenses	1 982	1 959	8 717
Short-term lease expenses	492	385	1 700
Electricity, heating and other property expenses	485	527	3 165
Consultants	959	956	5 008
Auditor	371	418	1 312
Legal	370	145	1 759
Patents	339	351	1 144
IT/Software	1 029	798	3 515
Other expenses	615	496	3 131
Recoveries of previously written-off receivables in 2018	-2 185	-415	-6 404
Government grants recognized as other cost reduction	-125	-103	-448
Total other operating expenses	4 332	5 518	22 599

Note 4 - Intangible assets

2024 (Amounts in 000 NOK)	Patents	Trademark	Capitalized development	Total intangible assets
Cost at 01.01.2024	22 413	24	77 636	100 073
Additions	990	—	5 702	6 691
Cost at 31.03.2024	23 403	24	83 338	106 764
Accumulated amortization charges 01.01.2024	12 475	6	29 778	42 258
Amortization charges	165	—	3 537	3 702
Accumulated amortization charges 31.03.2024	12 640	6	33 314	45 960
Net booked value as at 31.03.2024	10 762	18	50 024	60 803
Useful life:	5	5	5	
Amortization method:	Straight-line	Straight-line	Straight-line	

IFRS 16 Leases depreciation for the period 1 January to 31 March 2024 was TNOK 1 232.

2023 (Amounts in 000 NOK)	Patents	Trademark	Capitalized development	Total intangible assets
Cost at 01.01.2023	19 646	24	57 937	77 607
Additions	392		4 790	5 182
Cost at 31.03.2023	20 037	24	62 727	82 788
Accumulated amortization charges 01.01.2023	11 836	6	18 190	30 032
Amortization charges	144		2 897	3 041
Accumulated amortization charges 31.03.2023	11 980	6	21 087	33 073
Net booked value as at 31.03.2023	8 057	18	41 640	49 714
Useful life:	5	5	5	
Amortization method:	Straight-line	Straight-line	Straight-line	

Note 5 - Property, plant and equipment

2024 (Amounts in 000 NOK)	Furniture and fixtures	Total tangible assets
Cost at 01.01.2024	514	514
Additions	—	—
Disposals	—	—
Cost at 31.03.2024	514	514
Accumulated depreciation charges 01.01.2024	54	54
Current year depreciation	26	26
Accumulated depreciation charges at 31.03.2024	80	80
Net booked value as at 31.03.2024	434	434
Useful life:	5	
Amortization method:	Straight-line	

Cost related to furniture and other fixtures for HQ in Oslo has been recognized as an asset in Property, plant and equipment in accordance with IAS 16.

Note 6 – Share option programs

As of 31 March 2024, 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.

As of 31 March 2024, the total number of outstanding options for both employees and management, when converted into shares, was 6 828 914 of which 4 067 394 were already vested. The option program entitles the employees to approximately 6.12% of the fully diluted outstanding shares, which includes all outstanding options. The fully diluted outstanding share count on 31 March 2024 was 111 666 884.

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.

The board of directors has decided that a long-term share option program whereas upward to 2.5% of outstanding shares may be distributed yearly to the employees and management. outstanding options shall not exceed 7.5% of the total outstanding shares.

Note 7 – Cash and cash equivalents

<i>(Amounts in 000 NOK)</i>	31.03.2024	31.12.2023
Cash and cash equivalents	99 926	115 582
Of which are restricted cash:		
Restricted bank deposits for employee tax withholdings	1 368	2 812
Not restricted cash	98 558	112 770

Note 8 – Estimates

The deferred tax assets include an amount of mNOK 78.2 which relates to carried forward tax losses of Elliptic Laboratories ASA. Elliptic Laboratories ASA has incurred the losses over the last several years. 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 9 – Government grants

The table below sets forth the treatment of government grants.

<i>(Amounts in 000 NOK)</i>	Q1 2024	Q1 2023	2023
Recognized as income from other sources	357	—	1 312
Reduction of capitalized patents	—	—	—
Reduction of capitalized development	744	910	3 011
Recognized as payroll cost reduction	319	175	1 291
Recognized as other cost reduction	125	103	448
Total government grants	1 545	1 188	6 062

Note 10 – 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	Q1 2024 (Unaudited)	Q1 2023 (Unaudited)	2023 (Audited)
Revenues from contracts with customers		22 232	4 050	68 321
Other operating income	9	357	—	1 312
Total revenue and other operating income	2	22 590	4 050	69 632
Employee benefits expenses		-21 549	-18 939	-80 552
Other operating expenses	3	-4 332	-5 518	-22 599
EBITDA		-3 291	-20 407	-33 519

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

<i>(Amounts in 000 NOK)</i>	Q1 2024	Q4 2023	Q3 2023	Q2 2023	LTM
Revenues from contracts with customers	22 232	9 216	21 874	33 180	86 503
EBITDA	-3 291	-18 419	-2 915	8 222	-16 402

Note 11 – Subsequent events

On the 11th of April 2024, Elliptic Labs announced its launch on the Xiaomi Redmi Turbo 3 smartphone.

On the 24th of April 2024, Elliptic Labs announced its AI software platform is shipping on Lenovo's newest ThinkPad P Series workstation laptops.

On the 25th of April 2024, Elliptic Labs announced its shipping on the vivo iQOO Z9 and Z9 Turbo smartphones.

On the 29th of April 2024, Elliptic Labs announced its shipping on a smartphone designed by Ant Design Mobile.

On the 30th of April 2024, Elliptic Labs announced a notice of its Annual General Meeting.

On the 2nd of May 2024, Elliptic Labs announced its launch on Transsion's Infinix GT 20 Pro smartphone.

On the 6th of May 2024, Elliptic Labs announced its shipping on the vivo V30e smartphone.

On the 15th of May 2024, Elliptic Labs announced its AI Virtual Proximity Sensor is shipping on the HONOR 200 Lite smartphone.

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