

ellipticlabs

2023

Q3 Report (unaudited)

AI Virtual Smart Sensor Platform™



Proximity



Presence



Distance



Gesture



Positioning



Connection



Breathing



Heartbeat

Elliptic Labs — Q3 2023: Continuing to Advance in Both the PC/Laptop and Smartphone Markets

Elliptic Labs reports Revenues from contracts with customers of mNOK 59.1 for year to date 2023 an 40% increase, compared to mNOK 42.2 million in the same period last year and a 14% ahead of full year revenue last year.

Revenues from contracts with customers in individual quarters remains impacted by the timing of milestone revenue and model launches, and Elliptic Labs reports revenue from contracts with customers of NOK 21.9 million in the third quarter compared to NOK 27.1 million in the third quarter of last year.

Highlights from Q3 2023:

- Signed new expansion license agreement for AI Virtual Smart Sensor Platform™ with Lenovo for PC
- Signed POC with a PC OEM for AI Virtual Smart Sensor Platform technology to deliver new, seamless user experiences
- Signed contract for AI Virtual Smart Sensor Platform with new smartphone customer, and signed new contracts with several existing smartphone customers
- Launched several new smartphone models featuring the AI Virtual Smart Sensor Platform, including Honor X50, Oppo Find N3 Flip, Honor V Purse, Redmi Note 13, Redmi Note 13 Pro and Techno Phantom V Flip

Events after the end of the quarter:

- Signed contract with a PC OEM for a breakthrough new AI Virtual Smart Sensor Platform functionality set to reshape device-to-device interoperability and redefine seamless user experience across systems and devices
- Signed new expansion contract with an existing smartphone customer
- Launched two new smartphone models featuring the AI Virtual Smart Sensor Platform — vivo Y100 5G and Honor X50i Plus
- Launched the AI Virtual Seamless Sensor for Seamless Device-to-Device User Experiences

Total revenue and other operating income of mNOK 60.1 (42.2) for January–September 2023 an increase of 42%

Total revenue and other operating income was mNOK 22.5 (27.1) for the third Quarter 2023. This corresponds to a total revenue decrease of (17)% year over year.

EBITDA was negative mNOK -2.9 (6.2) for the third Quarter 2023 and for YTD 2023 negative mNOK -15.1 (-18.2)

Outlook

Successful expansion into the PC/laptop market supports Elliptic Labs' long-term growth ambitions. While customers in both the smartphone and PC/laptop markets currently face uncertain near-term demand, there is a growing trend among PC customers to incorporate Elliptic Labs' products into more of their models. This ongoing expansion will contribute to additional revenue.

The company has signed multiple significant contracts throughout the year, although some of the main contracts the company is currently negotiating with large new customers have taken longer than expected. Based on this, Elliptic Labs expects solid revenue growth in 2024 and to be on track to meet the NOK 500 million revenue goal in 2025.

Message from the CEO

Elliptic Labs is making strides both commercially and technologically. In the last quarter, we signed several new contracts and expanded existing ones for our 100% software-only AI Virtual Smart Sensor Platform, both with PC/laptop and smartphone producers. We introduced a new, breakthrough product set to reshape device-to-device interoperability and to deliver seamless user experiences across different systems and devices.

Despite a slow electronics market, we sustained financial momentum, with year-on-year Revenues from contracts with customers for the first nine months up 40% to NOK 59.1 million. This reflects Elliptic Labs' ability to navigate challenging end-user smartphone and laptop markets, showcasing our company's stability and resilience. We are well-positioned for long-term growth operationally and financially.

Over the summer, we achieved a significant milestone of signing a proof-of-concept contract with a PC OEM to introduce a new, game-changing product that is set to revolutionize device-to-device interoperability. Subsequently, we signed a license agreement for this product with the same PC OEM, announced in early October. This customer relationship promises to introduce seamless user experiences across different systems and devices, paving the way for a more interconnected and user-friendly world of technology. Our AI Virtual Smart Sensor Platform lies at the core of this innovative breakthrough, building on our technological leadership in AI/Machine learning, ultrasound, and sensor fusion.

True multi-device interoperability will revolutionize how users interact with technology. As a result, our platform's interoperability product empowers Elliptic Labs' OEM customers to innovate new, value-adding user experiences, thereby broadening their ecosystems and strengthening customer loyalty. We are excited to bring this technology to the market together with our customers.

In the last quarter, we signed expansion agreements with several of



Our interoperability functionality fuels innovation for OEMs, elevating experiences, broadening ecosystems, and fortifying loyalty. We are well-positioned to seize on a substantial market opportunity that holds immense growth potential.

our current customers, and launched our AI Virtual Smart Sensor Platform on several new smartphones. To date, Elliptic Labs has agreements with four of the top-six laptop OEMs and three of the top-five smartphone OEMs, as well as partnerships with all the leading suppliers of operating systems and chipsets. However, some of the main contracts we are currently negotiating with large new customers have taken longer than expected. Based on this we expect solid revenue growth in 2024 and to be on track to meet the NOK 500 million revenue goal in 2025.

Looking ahead, we see other revenue streams gaining significant momentum, both from new functionality and device types. Additional revenue will come from operating system and chipset partnerships embedding our AI Virtual Smart Sensor software as a standard, directly delivered to their customers, and from creating new user experiences and products derived from our AI Virtual Smart Sensor Platform.

We are well-positioned to seize on a substantial market opportunity that holds immense growth potential. With a keen eye on emerging trends and a proactive approach, we are poised to thrive in this dynamic landscape, ensuring our sustained growth trajectory in the face of the vast market potential before us.

Financial summary for the Group's YTD Q3 2023 (unaudited)

Comparable amounts for Q3 2022 are presented in parentheses.

Operating revenue

For the YTD 2023 mNOK 59.1 (42.2) is reported as Revenues from contracts with customers, an 40% increase. Total revenue and other operating income YTD 2023 was mNOK 60.1 (42.2) an 42% increase.

Total revenue and other operating income shows a -17% decrease year-on-year to mNOK 22.5 (27.1) in Q3 2023. Total revenue and other operating income for Third Quarter 2023 included mNOK 0.6 (0.0) in Other operating income from grants. Revenues from contracts with customers decreased by -19% to mNOK 21.9 (27.1) from the Third Quarter 2022 to the Third Quarter 2023.

In Q3 2023, 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 25.4 (20.8) in the Third quarter 2023, excluding depreciation and amortization. For the YTD 2023 the figure was mNOK 75.2 (60.4).

Employee benefits expenses amounted to mNOK 20.6 (16.3) in the Third quarter 2023, including mNOK 1.7 (3.0) in expenses related to the Groups share option program. Other operating expenses was mNOK 4.9 (4.5). For YTD 2023 Employee benefits expenses amounted to mNOK 58.8 (45.9), including mNOK 8.4 (9.5) in expenses related to the Groups share option program. Other operating expenses in YTD 2023 was mNOK 16.4 (14.5).

The increase in Employee benefits expenses reflects additions of 7 FTEs compared to Third Quarter 2022 and also full year effect from new hires 2022. Other operating expenses reflect higher operational activities and travel expenses, but also general price inflation.

As a result, the Group reported an EBITDA of mNOK -2.9 (6.2) in the Third quarter 2023, and mNOK -15.1 (-18.2) for YTD 2023.

Operating profit (EBIT)

The Group generated in the Third quarter 2023 an operating loss of mNOK -7.4 (3.5), and an operating loss of mNOK -27.0 (-26.3) for YTD 2023.

Depreciation and amortization amounted to mNOK 4.5 (2.7) for the Third quarter 2023, and mNOK 11.9 (8.2) for YTD 2023. The increase mainly reflects higher amortization of patents and capitalized development intangibles. Additionally, the depreciation charges have risen following the accounting for new office spaces in accordance with the IFRS 16 standard.

Financial items

Third quarter 2023 net financial items amounted to mNOK -1.2 (4.9). The Group has limited amounts of debt, thus the primary factor explaining changes in the Financial items is agio/disagio, due to currency fluctuation. Financial items for YTD 2023 was mNOK 6.0 (10.1).

Profit/loss

Third Quarter profit before tax was mNOK -8.6 (8.4). The loss before tax for YTD 2023 was mNOK -21.0 (-16.3).

The tax was mNOK 1.7 (-1.7), resulting in a profit after tax of mNOK -6.9 (6.7) for the Third quarter 2023. The income tax was positive mNOK 3.2 (2.4) for YTD 2023, resulting in loss of mNOK -17.8 (-13.9).

Cash flow

The Cash flow from operating activities in Third Quarter was mNOK -11.7 (-9.3). 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 -6.3 (-5.4) mainly related to Capitalized development costs. Cash flow from financing activities was mNOK 4.0 (-1.3), including a positive contribution from proceeds from issuing shares, which significantly offset the impacts of repayments of current borrowings, payments of lease liabilities, and interest payments.

The Cash flow from operating activities for YTD 2023 was mNOK -40.3 (-1.2) due mainly to negative operating profit and change in net outstanding account receivable in the period. Cash flow from investing activities was mNOK -19.1 (-15.9) mainly due to Capitalized development costs. Cash flow from financing activities was mNOK 0.3 (-2.1), where the proceeds from issuing shares contributed positively, counterbalancing the effects of repayments of current borrowings, payments of lease liabilities, and interest payments.

Cash and cash equivalents at the end of the period were mNOK 119.5 (mNOK 199.7 in Q3 2022 and mNOK 178.2 at year end 2022). The cash flow from operations is within management expectations.

Financing and debt

The Group's equity at quarter end was mNOK 323.1 (325.6 at year end 2022). The Group had Total non-current liabilities of mNOK 19.7 (6.5 at year end 2022) at the end of Third quarter 2023. This increase is mainly due to the company moving into new offices in Oslo on a long-term lease, which is recognized as a right-to-use asset and lease liability in accordance with IFRS 16.

Total non-current liabilities and Total current liabilities was mNOK 39.0 (23.7 at year end 2022). The increase relates to the new lease agreement under IFRS 16. The company continues to repay its debt.

The Groups increase in current trade receivables 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 119.5 (178.2 at year end 2022).

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 119.5 at the end of Q3 2023, and the Board of Directors assess this as sufficient to carry out Elliptic Labs' business plans.

The global semi-conductor market, along with major global Original Equipment Manufacturers (OEMs), experiencing decrease in end-user demand, which has resulted in inventory imbalances affecting the entire value chain. The fallout is noticeably impacting our clients in the smartphone and laptop sectors. 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 30 September 2023 and 2022, and 31 December 2022.

(Amounts in 000 NOK)	Notes	Q3 2023 (Unaudited)	Q3 2022 (Unaudited)	YTD 2023 (Unaudited)	YTD 2022 (Unaudited)	2022 (Audited)
Revenues from contracts with customers		21 874	27 077	59 104	42 214	52 062
Other operating income	9	644	—	954	—	—
Total revenue and other operating income	2	22 518	27 077	60 058	42 214	52 062
Employee benefits expenses		-20 572	-16 341	-58 791	-45 867	-62 802
Other operating expenses	3	-4 860	-4 502	-16 367	-14 518	-20 073
EBITDA		-2 915	6 234	-15 100	-18 171	-30 814
Depreciation and amortization	4,5	-4 457	-2 728	-11 923	-8 157	-11 317
Operating expenses		-29 890	-23 571	-87 081	-68 542	-94 193
Operating profit		-7 372	3 506	-27 023	-26 328	-42 131
Financial income		216	7 448	9 169	15 391	17 317
Financial expenses		-1 462	-2 532	-3 186	-5 335	-14 488
Net financial income/(expenses)		-1 246	4 916	5 982	10 056	2 829
Profit/(loss) before tax		-8 618	8 422	-21 040	-16 272	-39 302
Income tax expense		1 690	-1 674	3 212	2 373	6 303
Profit/(loss)		-6 928	6 748	-17 828	-13 898	-32 999
Other comprehensive income:						
Foreign currency rate changes, may be reclassified to profit or loss		-71	357	366	815	416
Other comprehensive income, net of tax		-71	357	366	815	416
Total comprehensive income for the period		-6 999	7 105	-17 462	-13 084	-32 583
Loss for the period is attributable to:						
Equity holders of the parent company		-6 999	7 105	-17 462	-13 084	-32 583
Earnings per share outstanding		-0.07	0.07	-0.17	-0.13	-0.31
Earnings per share fully diluted		-0.07	0.06	-0.17	-0.13	-0.31

Consolidated statement of financial position

At 30 September 2023, 31 December 2022 and 30 September 2022 respectively

<i>(Amounts in 000 NOK)</i>	<i>Notes</i>	30/09/23	31/12/22	30/09/22
		<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Non-current assets				
Deferred tax assets	8	72 041	68 837	64 907
Intangible assets	4	54 312	47 574	43 235
Right of use assets		20 634	2 256	1 116
Property, plant and equipment	5	414	—	—
Other non-current receivables		8 716	5 038	5 003
Total non-current assets		156 118	123 704	114 261
Current assets				
Current trade receivables		76 730	40 495	41 083
Other current receivables		9 760	6 905	7 133
Cash and cash equivalents	7	119 527	178 219	199 651
Total current assets		206 017	225 619	247 867
Total assets		362 134	349 324	362 128
Equity and liabilities				
Share capital		1 046	1 041	1 041
Other equity		322 042	324 581	341 148
Total equity		323 087	325 622	342 189
Non-current lease liabilities		16 703	523	530
Non-current borrowings		3 000	6 000	7 000
Total non-current liabilities		19 703	6 523	7 530
Current borrowings		4 000	4 000	4 000
Trade and other current payables		3 682	1 668	1 167
Current tax liabilities		—	—	—
Current lease liabilities		3 877	2 184	961
Other current liabilities		7 784	9 327	6 281
Total current liabilities		19 343	17 179	12 409
Total equity and liabilities		362 134	349 324	362 128

Consolidated statement of changes in equity

Attributable to owners of Elliptic Laboratories ASA.

2023 (Amounts in 000 NOK)	Share capital	Other paid in capital	Other equity	Translation reserve	Total equity
Shareholders' equity at 01.01.2023	1 041	345 514	-21 109	175	325 622
Profit (loss) for the period	—	—	-17 828	—	-17 828
Other comprehensive income for the period	—	—	—	366	366
Total comprehensive income for the period	—	—	-17 828	366	-17 462
<i>Transactions with owners:</i>					
Capital increase through issuance of ordinary shares	5	6 509	—	—	6 514
Transactions costs related to issuance of ordinary shares, net of tax	—	—	—	—	—
Employee share schemes	—	—	8 413	—	8 413
Shareholders' equity at 30.09.2023	1 046	352 023	-30 523	541	323 087
<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

Consolidated statement of cash flows

For the financial period ended 30 September 2023 and 2022, and 31 December 2022.

(Amounts in 000 NOK)	(Unaudited) Q3 2023	(Unaudited) Q3 2022	(Unaudited) YTD 2023	(Unaudited) YTD 2022	(Audited) 2022
Cash flow from operating activities					
Profit/(loss) before tax	-8 618	8 422	-21 040	-16 272	-39 302
Adjustment for:					
Taxes paid in the period	8	—	8	745	745
Depreciation and amortization	4 457	2 728	11 923	8 157	11 317
Share-based payments	1 669	3 031	8 413	9 531	12 464
Items classified as financing activities	141	137	454	418	571
Change in current trade receivable	-11 406	-26 265	-36 236	-12 057	-11 469
Change in trade payables	2 065	-1 293	2 014	-1 862	-1 361
Change in other accruals	22	3 966	-5 850	10 095	14 276
Net cash flows from operating activities	-11 661	-9 273	-40 313	-1 245	-12 758
Cash flow from investing activities					
Purchase of property, plant and equipment	—	—	-443	—	—
Capitalized development costs	-6 343	-5 444	-18 628	-15 950	-23 327
Net cash flows from investing activities	-6 343	-5 444	-19 072	-15 950	-23 327
Cash flow from financing activities					
Payments of lease liabilities, classified as financing activities	-1 371	-558	-2 734	-1 674	-2 662
Repayments of current borrowings	-1 000	-1 000	-3 000	-3 000	-4 000
Proceeds from issuing shares	6 514	350	6 514	2 972	2 972
Payments for share issue costs	—	—	—	—	—
Interests paid, classified as financing activities	-141	-137	-454	-418	-571
Net cash flows from financing activities	4 002	-1 345	326	-2 120	-4 261
Net Change in Cash and Cash Equivalents	-14 002	-16 062	-59 059	-19 314	-40 347
Cash and cash equivalents at the beginning of the period	133 600	215 357	178 219	218 151	218 151
Effect of foreign currency rate changes on cash and cash equivalents	-71	357	366	815	416
Cash and cash equivalents at the end of period	119 527	199 651	119 527	199 651	178 219

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 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 2023 and 2022.

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 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.

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 2023	Q3 2022	YTD 2023	YTD 2022	2022
Revenue recognised over time	—	—	—	—	—
Revenue recognised at point in time	21 874	27 077	59 104	42 214	52 062
Total revenue	21 874	27 077	59 104	42 214	52 062

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 2022 and YTD2023, 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 2022 or YTD2023.

As at 30 September 2023 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 late April; A former client has 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 has been scheduled for February 29, 2024.

Note 3 – Other operating expenses

(Amounts in 000 NOK)	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
Sales and marketing expenses	2 029	1 386	6 284	3 808	5 385
Short-term lease expenses	367	532	1 201	996	966
Electricity, heating and other property expenses	1 058	446	2 425	1 096	1 399
Consultants	1 531	754	4 041	2 601	3 527
Auditor	108	0	743	741	1 087
Legal	578	109	1 511	1 222	1 361
Patents	357	98	884	306	578
IT/Software	887	981	2 489	2 976	4 430
Other expenses	228	281	1 985	1 044	1 782
Recoveries of previously written-off receivables in 2018	-2 180	—	-4 888	—	—
Government grants recognized as other cost reduction	-103	-85	-308	-273	-441
Total other operating expenses	4 860	4 502	16 367	14 518	20 073

Note 4 - Intangible assets

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	1 643	—	14 255	15 898
Cost at 30.09.2023	21 289	24	72 192	93 505
Accumulated amortization charges 01.01.2023	11 836	6	18 190	30 032
Amortization charges	469	—	8 691	9 160
Accumulated amortization charges 30.09.2023	12 305	6	26 881	39 192
Net booked value as at 30.09.2023	8 984	18	45 312	54 312
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 2023 was TNOK2 734.

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	—	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	—	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	

Note 5 - Property, plant and equipment

2023 (Amounts in 000 NOK)	Furniture and fixtures	Total tangible assets
Cost at 01.01.2023	—	—
Additions	443	443
Disposals	—	—
Cost at 30.09.2023	443	443
Accumulated depreciation charges 01.01.2023	—	—
Current year depreciation	30	30
Cost at Accumulated depreciation charges 30.06.2023	30	30
Net booked value as at 30.09.2023	414	414
Useful life:	5	
Amortization method:	Straight-line	

Cost related to furniture and other fixtures for new 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 30 September 2023, the Group has option programs that includes a total of 62 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 30 September 2023, the total number of outstanding options for both employees and management, when converted into shares, was 7 166 905 of which 2 915 763 were already vested. The option program entitles the employees to approximately 6.68% of the fully diluted outstanding shares, which includes all outstanding options. The fully diluted outstanding share count on 30 September 2023 was 111 723 615.

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.

Note 7 – Cash and cash equivalents

<i>(Amounts in 000 NOK)</i>	30.09.2023	31.12.2022
Cash and cash equivalents	119 527	178 219
Of which are restricted cash:		
Restricted bank deposits for employee tax withholdings	1 501	1 324
Not restricted cash	118 025	176 895

Note 8 – Estimates

The deferred tax assets include an amount of mNOK 72.0 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>	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
Recognized as income from other sources	644	—	954	—	—
Reduction of capitalized patents	—	—	—	—	4
Reduction of capitalized development	910	937	2 730	2 796	3 659
Recognized as payroll cost reduction	175	165	525	493	646
Recognized as other cost reduction	103	85	308	273	441
Total government grants	1 832	1 188	4 517	3 563	4 750

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.

		Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in 000 NOK)</i>	Notes	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues from contracts with customers		21 874	27 077	59 104	42 214	52 062
Other operating income	9	644	—	954	—	—
Total revenue and other operating income	2	22 518	27 077	60 058	42 214	52 062
Employee benefits expenses		-20 572	-16 341	-58 791	-45 867	-62 802
Other operating expenses	3	-4 860	-4 502	-16 367	-14 518	-20 073
EBITDA		-2 915	6 234	-15 100	-18 171	-30 814

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

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	LTM
<i>(Amounts in 000 NOK)</i>					
Revenues from contracts with customers	21 874	33 180	4 050	9 848	68 953
EBITDA	-2 915	8 222	-20 407	-12 643	-27 742

Note 11 – Subsequent events

On the 9th of October 2023, Elliptic Labs announced it had signed a Contract with PC OEM for New Functionality, Expanding Product Reach.

On the 20th of October 2023, Elliptic Labs announced it had signed a New Expansion Contract with an Existing Smartphone Customer.

On the 30th of October 2023, Elliptic Labs launches its AI Virtual Smart Sensor Platform on the the vivo Y100 5G Smartphone.

On the 13th of November 2023, Elliptic Labs launched its AI Virtual Smart Sensor Platform on the HONOR X50i Plus Smartphone.

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