

ellipticlabs

Q4 & Preliminary Full Year 2021 Report (Unaudited)

AI Virtual Smart Sensor Platform™



Proximity



Presence



Gesture



Positioning



Connection



Breathing



Heartbeat

Q4 and FY 2021 Highlights

Highlights from Q4 2021:

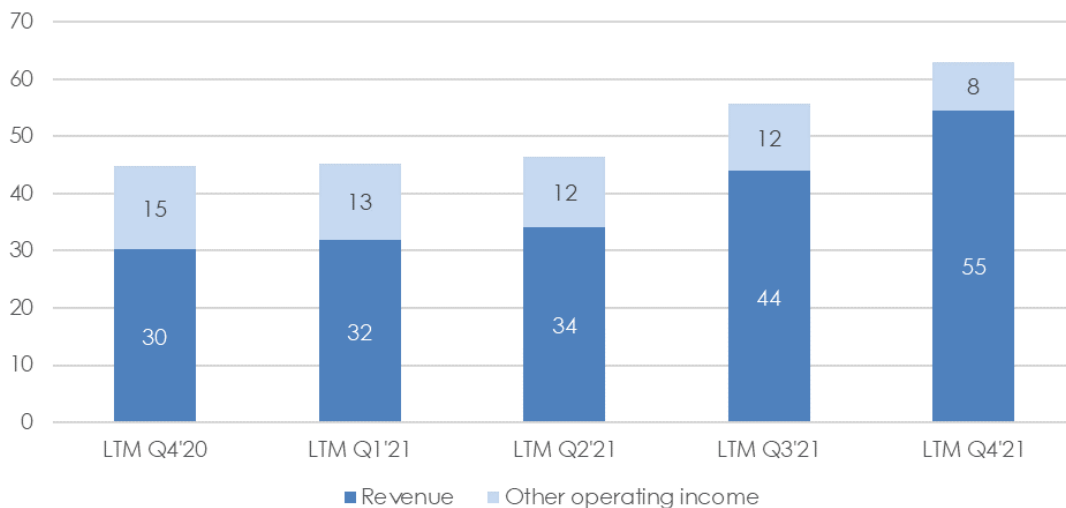
- Launched five new smartphone models from three different customers in Q4'21
- License agreement signed for seven models with a new smartphone customer
- Announced partnership with Intel for the PC-market
- Signed proof-of-concept agreement with leading PC OEM
- Total revenue of MNOK 34.7 for Q4'21 and mNOK 63 for FY'21
- EBITDA of mNOK 9.8m for Q4'21 and mNOK -2.8 for FY'21
- Subsequent to the Q4, 2021 Lenovo launched Elliptic Labs' AI Virtual Presence Sensor on ThinkPad T-14 in Q1, 2022 and, smartphone customers with five more launches in Q1 '22

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 total revenue and other operating income of mNOK 34.7 for the Fourth Quarter 2021 and mNOK 63.0 for the full year. This corresponds with total revenue growth of 27% in the fourth quarter and 41% for the full year.

EBITDA was a positive mNOK 9.8 for the Fourth Quarter 2021 and a negative mNOK -2.8 for the full year.

Revenue development

NOK million, Last Twelve Months (LTM)



Message from the CEO

2021 was another eventful year for Elliptic Labs, with activity picking up speed both in the smartphone market but also in new verticals such as the PC laptop market and Internet of Things.

Our revenue increased by 41% in 2021, and by around 80% if we look only at revenue and exclude other operational income such as research grants. This mainly reflects license revenue from the licensing agreements we have entered with globally leading smartphone OEMs over the past five years. In the fourth quarter, we also signed a new license agreement for seven smartphone models with a new customer. Our solutions were introduced on five new smartphone models with three different customers in the fourth quarter 2021 and on an additional five models in the first quarter 2022. We are now present on 47 models with six manufacturers, showing the unique attraction of our technology and the risk diversification in our business model.

We see increasing demand for our software solutions also in other verticals and in new geographical areas, which broadens the market opportunity and diversifies risk further. In the fourth quarter we announced a partnership with Intel in the PC market, and with Intel, AMD and Qualcomm onboard we cover close to 100% of the PC processor market. We also signed a proof-of-concept agreement with a leading PC OEM for an all-in-one PC system for presence detection.

In the first quarter of 2022 we announced together with the global market leader Lenovo that our presence detection functionality will be launched on their bestseller model ThinkPad T-14. We expect to introduce more functionalities in more laptop models from more laptop manufacturers in the time to come. We also begin to see our solutions entering the IoT market, with a new presence detection product from global market leader Bosch.

Demand for our AI Virtual Smart Sensor Platform™ hence continues to broaden into more verticals. We are continuing to expand in the smartphone market and are opening our next key growth vertical in laptops and introducing our technologies to the IoT market. These are markets with significantly higher price points and total market value opportunity for our Virtual Smart Sensors, and we see a clear path towards our ambitious revenue target. We expect significantly increased revenue and positive EBITDA in 2022, and maintain our target to achieve a

revenue level of NOK 500 million in 2023.



“Demand for our AI Virtual Smart Sensor Platform™ continues to broaden into more verticals, and we see a clear path towards our ambitious revenue targets.”

Financial summary for the Group's YTD Q4 2021 (unaudited)

Comparable amounts for Q4 2020 are presented in parentheses.

Operating revenue

Total revenue increased by 27% year-on-year to mNOK 34.7 in for the fourth quarter (mNOK 27.3). Total revenues and other operating income for the Fourth Quarter 2020 included mNOK 3.2 in other operating income from grants, and revenue from licenses increased by 44% from the Fourth Quarter 2020 to the Fourth Quarter 2021 .

Consolidated revenue and other operating income for the 2021 increased by 41% totaled mNOK 63.0 (mNOK 44.7). The increase is primarily driven by strong growth in licenses, both increased sales to existing customers and new customers contributes to the growth.

Operating costs and EBITDA

Operating expense amounted to mNOK 24.9 in the Fourth quarter 2021, excluding depreciation and amortization (mNOK 8.8). Personnel expenses amounted to mNOK 18.8 (mNOK 5.8) and other operating expenses to mNOK 6.1 (mNOK 3.1)

The cost increase reflects a significantly higher activity level, but is also influenced by one-off costs. mNOK ~6.5m elated to true up effects connected to the settlement of share-based payment agreements. The options were settled as a cash equity contribution with positive cash flow effect as presented in the statement of cash flows and consultant fees related to uplifting to Oslo Børs.

As a result, the company reported an EBITDA of mNOK 9.8 in the Fourth quarter (mNOK 18.4). EBITDA for the full year 2021 showed a loss of mNOK 2.8 (negative mNOK 4.7) , reflecting operating costs of mNOK 65.9 (mNOK 49.4) excluding deprecation and amortization . Operating costs totaled mNOK 74.2 (mNOK 54.8).

Continued focus on hiring new personal, including search and hiring cost contributes to higher personnel expenses. The Fourth Quarter also saw increased travel activities across the group contributing to higher other operating expenses together with the above mentioned non-repeating expenses related to uplifting to Oslo Børs.

Operating profit (EBIT)

The Group generated in the Fourth Quarter an Operating profit of mNOK 7.7 (mNOK 17.1). For the full year the Operating loss was mNOK -11.1 (mNOK -10.1).

Depreciation, amortization amounted to mNOK 2.1 for the fourth quarter (mNOK -1.4) and mNOK 8.3 for the full year (mNOK 5.4).

Financial items

YTD net financial expenses amounted to mNOK 2.0 (mNOK 5.5). The Group has limited amounts of debt thus the primary factor for Financial items is agio/disagio, due to currency fluctuation.

Profit/loss

The loss before tax was YTD mNOK 13.1 (negative mNOK 15.6). For the quarter the profit before tax was mNOK 4.3 (mNOK 13.9).

The Income tax expense was YTD mNOK 1.9 (mNOK 3.0), resulting in a loss of mNOK 11.2 (mNOK 12.5)0.

Cash flow

The cash flow from operating activities YTD is mNOK -10.8 (mNOK -6.7). Net due outstanding account receivable at year end keeps operating activities negative for the year. Cash flow from financing was mNOK 146.8 (mNOK 87.2). Cash and cash equivalents at the end of the period were mNOK 218.2 (mNOK 99.7). The cash flow from operations was within management expectations. The company completed a private placement of approx. mNOK 150 in September, which further strengthened the company cash position.

Financing and debt

The Group's equity was mNOK 342.8 (mNOK 188.1). The Group had total long-term liabilities of mNOK 10.5 (mNOK 17.0).

The Group maintains a sharp focus on expense and cash flows and navigates from a strong and improved cash position mNOK 218.2 (mNOK 99.7). 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 topline and thus may effect profit before tax on an annual basis. For other risk and uncertainty factors please see description in the annual report for 2020.

Going concern

In accordance with the Accounting Act § 3-3a, the financial statements have been prepared under the assumption of going concern. This assumption is based on recent announced contracts, profit forecasts for the year 2021 and the Group's long-term strategic forecasts including funding. Regarding the COVID19 situation, we refer to Note 18 in the annual report 2020, and we remain positive about the future outlook for Elliptic Labs.

Condensed financial information

Consolidated income statement

For the financial period ended 31 December 2021 and 31 December 2020.

(Amounts in 000 NOK)	Notes	Q4 2021 (Unaudited)	Q4 2020 (Unaudited)	2021 (Unaudited)	2020 (Audited)
Revenues from contracts with customers		34 669	24 071	54 598	30 215
Other operating income	8	—	3 190	8 438	14 517
Total revenue and other operating income	2	34 669	27 261	63 036	44 732
Personnel expenses		-18 784	-5 754	-50 807	-35 866
Other operating expenses	3	-6 131	-3 089	-15 058	-13 529
EBITDA	4	9 754	18 418	-2 829	-4 663
Depreciation and amortisation	4	-2 096	-1 368	-8 311	-5 439
Operating costs		-27 011	-10 211	-74 176	-54 834
Operating profit		7 658	17 050	-11 140	-10 102
Financial income		2 022	408	3 730	1 852
Financial expenses		-2 875	-3 430	-5 683	-7 307
Net financial income/ (expenses)		-853	-3 022	-1 953	-5 455
Profit before tax		6 805	14 028	-13 093	-15 557
Income tax expense		-2 483	-161	1 878	3 047
Profit/(loss)		4 322	13 867	-11 215	-12 510
Foreign currency rate changes, may be reclassified to profit or loss	7	-181	59	-47	
Total comprehensive income for the period		4 329	13 686	-11 156	-12 557
Loss for the period is attributable to:					
Equity holders of the parent company		4 329	13 686	-11 156	-12 557
Earnings per share outstanding		0.04	0.14	-0.11	-0.14
Earnings per share fully diluted		0.04	0.14	-0.11	-0.14

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

Consolidated statement of financial position

At 31 December 2021, and 31 December 2020 respectively

<i>(Amounts in 000 NOK)</i>	<i>Notes</i>	31/12/21 <i>(Unaudited)</i>	31/12/20 <i>(Audited)</i>
Non-current assets			
Deferred tax assets	7	62 534	59 807
Intangible assets	4	36 564	28 241
Right of use assets		2 790	5 023
Other non-current receivables		4 517	4 050
Total non-current assets		106 406	97 121
Current assets			
Accounts receivable		29 025	427
Other current receivables		17 773	21 451
Cash and cash equivalents	6	218 151	99 724
Total current assets		264 949	121 601
Total assets		371 356	218 722
Equity and liabilities			
Share capital		1 038	958
Other equity		341 731	187 146
Total equity		342 769	188 104
Lease liabilities		530	3 002
Bank borrowings, long-term		10 000	14 000
Total long-term liabilities		10 530	17 002
Bank borrowings, short-term		4 000	4 000
Trade and other payables		3 029	989
Tax payable		—	205
Current lease liabilities		2 611	2 203
Other short-term liabilities		8 416	6 219
Total current liabilities		18 056	13 616
Total equity and liabilities		371 356	218 722

Consolidated statement of changes in equity

Attributable to owners of Elliptic Laboratories AS.

2021 (Amounts in 000 NOK)	Share capital and premium	Paid in equity	Other equity	Foreign currency rate differences	Total equity
Shareholders' equity at 01.01.2021	958	174 643	12 802	-299	188 104
Profit (loss) for the period	0	0	-11 215	0	-11 215
Other comprehensive income for the period	0	0	0	59	59
Total comprehensive income for the period	0	0	-11 215	59	-11 156
<i>Transactions with owners:</i>					
Capital increase through issuance of ordinary shares	80	162 138	0	0	162 218
Transactions costs related to issuance of ordinary shares, net of tax	0	-6 745	0	0	-6 745
Employee share schemes	0	0	10 349	0	10 349
Shareholders' equity at 31.12.2021	1 038	330 035	11 936	-240	342 769

2020 (Amounts in 000 NOK)	Share capital and premium	Paid in equity	Other equity	Foreign currency rate differences	Total equity
Shareholders' equity at 01.01.2020	875	70 644	8 766	-252	80 033
Profit (loss) for the period	0	-12 510	0	0	-12 510
Other comprehensive income for the period	0	0	0	-47	-47
Total comprehensive income for the period	0	-12 510	0	-47	-12 557
<i>Transactions with owners:</i>					
Capital increase through issuance of ordinary shares	83	124 957	0	0	125 040
Transactions costs related to issuance of ordinary shares, net of tax	0	-8 448	0	0	-8 448
Employee share schemes	0	0	4 036	0	4 036
Shareholders' equity at 31.12.2020	958	174 643	12 802	-299	188 104

Consolidated statement of cash flows

For the financial period ended 31 December 2021 and 2020

(Amounts in 000 NOK)	(Unaudited) Q4 2021	(Unaudited) Q4 2020	(Unaudited) 2021	(Audited) 2020
Cash flow from operating activities				
Profit/(loss) before tax	6 805	14 028	-13 093	-15 557
<i>Adjustment for:</i>				
Taxes paid in the period	-24	-39	-12	-549
Depreciation	2 096	1 368	8 311	5 439
Share-based payments	7 158	1 487	10 349	4 037
Items classified as financing activities	148	186	653	2 170
Change in accounts receivable	-11 987	-2 080	-24 177	-451
Change in trade payables	1 259	-1 624	2 040	154
Change in other accruals	5 841	167	5 106	-1 921
Net cash flows from operating activities	11 296	13 492	-10 823	-6 678
Capitalized development costs	-9 200	-9 441	-17 610	-15 103
Net cash flows from investing activities	-9 200	-9 441	-17 610	-15 103
Repayment of lease liabilities	-558	-2 232	-2 232	-2 232
Repayment of bank borrowings, short-term	-2 000	-25 000	-4 000	-25 000
Paid in capital from owners	10 061	125 000	162 218	125 040
Transaction cost listing/capital increase	-13	-8 345	-8 533	-8 448
Payment of interests from bank borrowings	-148	-186	-653	-2 170
Net cash flows from financing activities	7 342	89 237	146 800	87 190
Net Change in Cash and Cash Equivalents	9 438	93 288	118 367	65 409
Cash and cash equivalents at the beginning of the period	208 704	6 617	99 724	34 362
Effect of foreign currency rate changes on cash and cash equivalents	8	-181	59	-47
Cash and cash equivalents at the end of period	218 150	99 724	218 150	99 724

Notes to the condensed consolidated financial statements

Note 1 – Accounting principles

1.1 General information

Elliptic Laboratories AS and its subsidiaries (together "Elliptic Labs" or the "Group") develop software that generates and interprets ultrasound using only existing device hardware. The Group targets smartphones, PC market and "Internet of Things" (IoT) devices, enabling bezel-less design, intuitive 3D gesture recognition, and touchless or presence sensing. Investments in and cooperation with other companies are also part of the Group's purpose.

The Elliptic Labs head office is at Akersgata 32, 0180 Oslo, Norway.

1.2 Summary of significant accounting principles

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

1.2.1 Basis of preparation

The Fourth quarter consolidated financial statements of the Group have been prepared in accordance with IAS 34 for the financial reporting of the Fourth quarter of 2021 and 2020.

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 accounting policies applied in this report are consistent with those applied and described in the 2020 annual report.

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 deliverables, such as the license for the IP and subsequent royalties for units sold. It is accounted for as a separate performance obligation. 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 the 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 Labs exceed the payment, an accounts receivable is recognized. If the payments exceed the services rendered, a contract liability is recognized.

If the contract includes a royalty for sold smart phones, revenue is recognized in the amount to which Elliptic Labs 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 – Revenue from contracts with customers

Revenue from contracts with customers is set forth in the table below.

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.

(Amounts in 000 NOK)	Q4 2021	Q4 2020	2021	2020
Revenues recognised over time	0	441	4 809	441
Revenue recognised at point in time	34 669	23 630	49 789	29 774
Total revenue	34 669	24 071	54 598	30 215

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 years 2021 and 2020, the majority of the contracts from which revenue was recognized were of the minimum fixed fee character.

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 of 31.12.2021 and 31.12.2020 all commenced contracts were completed and performance obligations were fully satisfied.

Note 3 – Other operating expenses

(Amounts in 000 NOK)	Q4 2021	Q4 2020	2021	2020
Sales and marketing expenses	1 609	1 327	4 750	3 734
Short-term lease expenses	217	169	730	758
Electricity, heating and other property expenses	237	293	899	1 114
Consultants	1 417	1 307	2 510	2 447
Auditor	1 032	110	1 517	558
Legal	962	65	1 564	2 585
Patents	203	129	520	356
IT/Software	785	113	2 504	2 094
Other expenses	646	112	1 041	419
Government grants recognized as other cost reduction	-977	-536	-977	-536
Total other operating expenses	6 131	3 089	15 058	13 529

Note 4 - Intangible assets

2021 (Amounts in 000 NOK)	Patents	Trademark	Capitalized development	Total intangible assets
Cost at 01.01.2021	15 003	24	28 513	43 540
Additions	2 211	0	12 192	14 403
Disposals	0	0	0	0
Cost at 31.12.2021	17 213	24	40 705	57 942
Accumulated amortization charges 01.01.2021	10 946	6	4 347	15 299
Amortization charges	376	0	5 703	6 079
Accumulated amortization charges 31.12.2021	11 322	6	10 049	21 377
Net booked value as at 31.12.2021	5 891	18	30 656	36 564
Useful life:	5	5	5	
Amortization method:	Straight-line	Straight-line	Straight-line	

IFRS 16 Leases depreciation for the period 1 January to 31 December 2021 was NOK 2 232 324.

2020 (Amounts in 000 NOK)	Patents	Trademark	Capitalized development	Total intangible assets
Cost at 01.01.2020	13 792	24	14 829	28 644
Additions	1 211	0	13 684	14 895
Disposals	0	0	0	0
Cost at 31.12.2020	15 003	24	28 513	43 539
Accumulated amortization charges 01.01.2020	10 706	6	1 381	12 092
Amortization charges	241	0	2 966	3 206
Accumulated amortization charges 31.12.2020	10 946	6	4 347	15 298
Net booked value as at 31.12.2020	4 056	18	24 166	28 241
Useful life:	5	5	5	
Amortization method:	Straight-line	Straight-line	Straight-line	

Note 5 – Share option programs

As of 31 December 2021, the Group has option programs that includes a total of 56 employees in parent and subsidiary companies. The employees must work in the Group to be entitled to exercise the options at the time of vesting. The options are settled in shares at the time of vesting.

In Q4 the exercise of share options by option holders increased the Company's share capital by NOK 7 018,10, by the issuance of 701 810 new shares.

As of 31 December 2021, the total number of outstanding options were 335 523 whereas 130 424 were vested. After the share split in September 2021 each option equals 10 share equivalents. As of 31 December 2021, the option program gives the employees the right to acquire 3 355 230 shares in the Group, approx. 3,2% of outstanding shares.

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.

In 2022 the board of directors has decided on a new long-term share option program whereas upward to 2,5% of outstanding shares may be distributed yearly to the employees. The 21st of February 2022 the board awarded 48 employees the right to acquire 1 164 493 shares in aggregate. Giving the total number of options outstanding in the Group by the 21st of February 2022 the right to acquire up to 4 523 399 shares in aggregate approx 4,2% on a fully diluted basis.

Note 6 – Cash and cash equivalents

(Amounts in 000 NOK)	31.12.2021	31.12.2020
Cash and cash equivalents	218 151	99 724
Of which are restricted cash:		
Restricted bank deposits for employee tax withholdings	1 324	1 155
Not restricted cash	216 827	98 569

Note 7 – Estimates

The deferred tax assets include an amount of mNOK 62.5 which relates to carried forward tax losses of Elliptic Laboratories AS. Elliptic Laboratories AS 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 criterias. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on profitability shown in second half 2020 and further development in 2021, 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 AS 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.

(Amounts in 000 NOK)	Q4 2021	Q4 2020	2021	2020
Recognized as income from other sources	0	3 585	8 438	14 517
Reduction of capitalized patents	6	208	6	208
Reduction of capitalized development	3 208	0	3 208	0
Recognized as payroll cost reduction	-3 035	1 194	565	4 007
Recognized as other cost reduction	977	536	977	536
Total government grants	1 156	5 523	13 194	19 268

In Q4 a relative portion of the previously estimated SkatteFUNN government grant has been deducted from the capitalized development in accordance with IAS 20

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>	<i>Notes</i>	Q4 2021 <i>(Unaudited)</i>	Q4 2020 <i>(Unaudited)</i>	2021 <i>(Unaudited)</i>	2020 <i>(Audited)</i>
Revenues from contracts with customers		34 669	24 071	54 598	30 215
Other operating income	8	—	3 190	8 438	14 517
Total revenue and other operating income	2	34 669	27 261	63 036	44 732
Personnel expenses		-18 784	-5 754	-50 807	-35 866
Other operating expenses	3	-6 131	-3 089	-15 058	-13 529
EBITDA	9	9 754	18 418	-2 829	-4 663

Note 10 – Subsequent event

24 February 2022 Russia invaded Ukraine. The invasion does not provide evidence of conditions existing at the end of the reporting period, thus classifying the invasion as a non-adjusting event according to IAS 10.

Elliptic Labs has neither customers nor suppliers in Russia or Ukraine, and have concluded that there is no need to make post period end impairments or any other adjustments to the financial figures. However, as everyone else, Elliptic Labs could also be affected should the situation continue, or escalate further. 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.

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