

ellipticlabs

2023

Q2 & 1H Report
(Unaudited)

AI Virtual Smart Sensor Platform™



Proximity



Presence



Distance



Gesture



Positioning



Connection



Breathing



Heartbeat

First half 2023 and Q2 2023 Highlights

Elliptic Labs delivers Revenues from contracts with customers of mNOK 33.2 in the second quarter 2023, an increase of 245% compared to mNOK 9.6 in the same period last year. At the same time, the company experiences strong commercial traction and has launched on eight smartphone models and 17 laptop models to date in 2023.

Elliptic Labs has strong continued commercial traction in both the smartphone and the PC verticals.

Highlights from Q2 2023:

- Signed new expansion contract with existing smartphone customer
- Signed software license contract with new Top-5 smartphone OEM
- Signed new contract with a new leading pc/laptop customer
- Signed new expansion contract with existing pc/laptop customer
- Launched AI Virtual Human Presence Sensor on 8 ThinkPad models, bringing the total to 17 models YTD
- Elliptic Labs now has contracts with 4 of the Top-6 PC OEMs and PoC with one additional top OEM

Subsequent to Q2 2023:

- Launched smartphone with existing client, the Honor X50
- Signed contract with a new smartphone customer

Revenues from contracts with customers of mNOK 37.2 (15.1) for the first half 2023 an 146% increase.

Total revenue and other operating income was mNOK 33.5 (9.6) for the second Quarter 2023. This corresponds to a total revenue growth of 248% year over year.

EBITDA was a positive mNOK 8.2 (-11.0) for the second Quarter 2023 and for YTD 2023 negative mNOK -12.2 (-24.4)

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 is expected to contribute to additional revenue in the long run. As a result, the company sets its sights on achieving a revenue target of NOK 500 million in the 2024-25 period.

Message from the CEO

In our second quarter, we continued to experience a market pull, and we started to see customer activities reflected in our revenue figures. Revenue from customers more than tripled to mNOK 33.2 (9.6) million compared to the same period last year, we broadened our customer base to four of the top six PC/laptop producers, we signed new expansion contracts with Xiaomi and Lenovo, and we attracted top talent from Intel Corporation. Although the smartphone and PC markets continue to see muted sales volumes, our quarterly results and the long-term outlook for our customers make us confident in our revenue target of NOK 500 million in 2024/25.

In the face of the market slowdown, we remain focused on the three things we can control:

Firstly, we continue to invest in the development of our AI Virtual Smart Sensor Platform, ensuring that our 100% software-only AI platform remains at the forefront of technological advancements. By prioritizing innovation and staying ahead of the curve, we will be rewarded when the markets rebound. We are firmly committed to deliver cutting-edge AI-based software for broad deployment across multiple verticals.

Secondly, we are dedicated to maintaining a light and lean organization and contain costs. Prudent financial management allows us to navigate these volatile times effectively. By carefully allocating our resources, we ensure that our operations remain highly cost efficient. Our goal is to strike a balance between conserving capital and driving growth to position us for long-term success.

Thirdly, we are forging strong and enduring relationships with global original equipment manufacturers (OEMs), operating system (OS) and system-on-chip (SOC) partners, ramping future sales that will drive the value of our company. Our recent acquisition of top talent from Intel will accelerate these processes.



In Q2, we continued to experience a market pull, broadening our customer base and tripling revenue compared to the same quarter last year.

Our technology has now been deployed on more than 500 million smartphones and laptops. We now have contracts with four of the top six global PC/laptop OEMs, and a PoC with one more of the top PC/laptop OEM. By securing long-term agreements with globally recognized brands, we solidify our technological leadership and expand our market opportunities. These agreements validate the trust our OEM customers place in our AI platform and its potential to shape the future.

We are capturing a large market opportunity and will emerge stronger when the market recovers. We are dedicated to drive innovation, strengthen strategic partnerships, and to position ourselves for long-term success. We have unwavering confidence in our capability to establish ourselves as the prevailing industry standard with our AI Virtual Smart Sensor Platform, revolutionizing devices to be greener, smarter, and more user-friendly. Our favorable timing and market traction provide us with a solid advantage, and we are poised to drive long-term growth and value for our stakeholders.

Financial summary for the Group's YTD Q2 2023 (unaudited)

Comparable amounts for Q2 2022 are presented in parentheses.

Operating revenue

Total revenue and other operating income shows a 248% increase year-on-year to mNOK 33.5 (9.6) in Q2 2023. Total revenue and other operating income for Second Quarter 2023 included mNOK 0.3 (0.0) in Other operating income from grants. Revenues from contracts with customers increased by 245% to mNOK 33.2 (9.6) from the Second Quarter 2022 to the Second Quarter 2023.

For the 1H 2023 mNOK 37.2 (15.1) is reported as Revenues from contracts with customers, an 146% increase. Total revenue and other operating income 1H 2023 was mNOK 37.5 (15.1) an 148% increase.

The Q2 revenue reflects both a recognition of incremental licensing (milestone) revenue and also license revenue based on shipped units. This incremental licensing (milestone) revenue will not be repeated in the coming quarters.

Operating expenses and EBITDA

Operating expenses amounted to mNOK 25.3 (20.6) in the Second quarter 2023, excluding depreciation and amortization. For the 1H 2023 the figure was mNOK 49.7 (39.5).

Employee benefits expenses amounted to mNOK 19.3 (15.6) in the Second quarter 2023, including mNOK 3.8 (3.6) in expenses related to the Groups share option program. Other operating expenses was mNOK 6.0 (5.0). For 1H 2023 Employee benefits expenses amounted to mNOK 38.2 (29.5), including mNOK 6.7 (6.5) in expenses related to the Groups share option program. Other operating expenses in 1H 2023 was mNOK 11.5 (10.0).

The increase in Employee benefits expenses reflects additions of 5 FTEs compared to Second Quarter 2022 and the effect of salary increases in 2023. 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 8.2 in the Second quarter 2023 (-11.0), and mNOK -12.2 (-24.4) for 1H 2023.

Operating profit (EBIT)

The Group generated in the Second quarter 2023 an operating profit of mNOK 4.5 (-13.5), and an operating loss of mNOK -19.7 (-29.8) for 1H 2023.

Depreciation and amortization amounted to mNOK 3.7 (2.6) for the Second quarter 2023, and mNOK 7.5 (5.4) for 1H 2023. The increase mainly reflects higher amortization of patents and capitalized development intangibles.

Financial items

Second quarter 2023 net financial items amounted to mNOK 1.5 (6.3) 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 1H 2023 was mNOK 7.2 (5.1).

Profit/loss

Second Quarter profit before tax was mNOK 6.0 (-7.2). The loss before tax for 1H 2023 was mNOK -12.4 (-24.7).

The tax was mNOK -2.0 (0.9), resulting in a profit after tax of mNOK 4.0 (-6.4) for the Second quarter 2023. The income tax was positive mNOK 1.5 (4.0) for 1H 2023, resulting in loss of mNOK -10.9 (-20.6).

Cash flow

The Cash flow from operating activities in Second Quarter was mNOK -12.0 (-0.4). A negative change in net due outstanding account receivable was the main contributor to a negative cash flow from operating activities this quarter. Cash flow from investing activities was mNOK -6.6 (-4.9) mainly related to Capitalized development costs. Cash flow from financing activities was mNOK -1.8 (0.9) due to Repayments of current borrowings, Payments of lease liabilities, classified as financing activities and interests paid.

The Cash flow from operating activities for 1H 2023 was mNOK -28.7 (8.0) due mainly to negative operating profit and change in net outstanding account receivable in the period. Cash flow from investing activities was mNOK -12.7 (-10.5) mainly due to Capitalized development costs. Cash flow from financing activities was mNOK -3.7 (-0.8) due to repayments of current borrowings, payments of lease liabilities, classified as financing activities and interests paid.

Cash and cash equivalents at the end of the period were mNOK 133.6 (mNOK 215.4 in Q2 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 321.9 (325.6 at year end 2022). The Group had Total non-current liabilities of mNOK 4.5 (6.5 at year end 2022) at the end of Second quarter 2023.

Total non-current liabilities and Total current liabilities was mNOK 19.9 (23.7 at year end 2022) and continue to decline as the company repays its debt.

The Group maintains a sharp focus on expenses and cash flows and navigates from a strong cash position mNOK 133.6 (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 133.6 at the end of Q2 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 June 2023 and 2022, and 31 December 2022.

		Q2 2023	Q2 2022	1H 2023	1H 2022	2022
(Amounts in 000 NOK)	Notes	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues from contracts with customers		33 180	9 621	37 230	15 137	52 062
Other operating income	9	310	—	310	—	—
Total revenue and other operating income	2	33 491	9 621	37 540	15 137	52 062
Employee benefits expenses		-19 280	-15 628	-38 219	-29 526	-62 802
Other operating expenses	3	-5 989	-4 957	-11 507	-10 016	-20 073
EBITDA		8 222	-10 964	-12 185	-24 405	-30 814
Depreciation and amortization	4,5	-3 747	-2 562	-7 466	-5 429	-11 317
Operating expenses		-29 016	-23 146	-57 191	-44 971	-94 193
Operating profit		4 475	-13 525	-19 651	-29 834	-42 131
Financial income		2 408	7 312	8 953	7 943	17 317
Financial expenses		-871	-1 011	-1 724	-2 803	-14 488
Net financial income/(expenses)		1 537	6 301	7 229	5 140	2 829
Profit/(loss) before tax		6 012	-7 224	-12 422	-24 694	-39 302
Income tax expense		-2 015	872	1 522	4 047	6 303
Profit/(loss)		3 997	-6 353	-10 900	-20 647	-32 999
Other comprehensive income:						
Foreign currency rate changes, may be reclassified to profit or loss		141	490	437	458	416
Other comprehensive income, net of tax		141	490	437	458	416
Total comprehensive income for the period		4 138	-5 863	-10 462	-20 189	-32 583
Loss for the period is attributable to:						
Equity holders of the parent company		4 138	-5 863	-10 462	-20 189	-32 583
Earnings per share outstanding		0.04	-0.06	-0.10	-0.19	-0.31
Earnings per share fully diluted		0.04	-0.06	-0.10	-0.19	-0.31

Consolidated statement of financial position

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

<i>(Amounts in 000 NOK)</i>	<i>Notes</i>	30/06/23 <i>(Unaudited)</i>	31/12/22 <i>(Audited)</i>	30/06/22 <i>(Unaudited)</i>
Non-current assets				
Deferred tax assets	8	70 360	68 837	66 581
Intangible assets	4	51 943	47 574	40 898
Right of use assets		933	2 256	1 674
Property, plant and equipment	5	436	—	—
Other non-current receivables		8 164	5 038	5 018
Total non-current assets		131 836	123 704	114 171
Current assets				
Current trade receivables		65 324	40 495	14 818
Other current receivables		11 043	6 905	11 214
Cash and cash equivalents	7	133 600	178 219	215 357
Total current assets		209 967	225 619	241 389
Total assets		341 803	349 324	355 561
Equity and liabilities				
Share capital		1 041	1 041	1 041
Other equity		320 863	324 581	330 662
Total equity		321 904	325 622	331 703
Non-current lease liabilities		542	523	530
Non-current borrowings		4 000	6 000	8 000
Total non-current liabilities		4 542	6 523	8 530
Current borrowings		4 000	4 000	4 000
Trade and other current payables		1 617	1 668	2 460
Current tax liabilities		—	—	—
Current lease liabilities		754	2 184	1 511
Other current liabilities		8 986	9 327	7 357
Total current liabilities		15 357	17 179	15 328
Total equity and liabilities		341 803	349 324	355 561

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	—	—	-10 900	—	-10 900
Other comprehensive income for the period	—	—	—	437	437
Total comprehensive income for the period	—	—	-10 900	437	-10 462
<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	—	—	6 744	—	6 744
Shareholders' equity at 30.06.2023	1 041	345 514	-25 264	613	321 904
<i>Transactions with owners:</i>					
Capital increase through issuance of ordinary shares	2	2 620	—	—	2 622
Transactions costs related to issuance of ordinary shares, net of tax	—	—	—	—	—
Employee share schemes	—	—	6 500	—	6 500
Shareholders' equity at 30.06.2022	1 041	345 165	-14 720	218	331 703

Consolidated statement of cash flows

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

(Amounts in 000 NOK)	(Unaudited) Q2 2023	(Unaudited) Q2 2022	(Unaudited) 1H 2023	(Unaudited) 1H 2022	(Audited) 2022
Cash flow from operating activities					
Profit/(loss) before tax	6 012	-7 224	-12 422	-24 694	-39 302
Adjustment for:					
Taxes paid in the period	—	747	—	745	745
Depreciation and amortization	3 747	2 562	7 466	5 429	11 317
Share-based payments	3 756	3 586	6 744	6 500	12 464
Items classified as financing activities	147	140	313	280	571
Change in current trade receivable	-24 122	1 780	-24 830	14 208	-11 469
Change in trade payables	594	-748	-51	-569	-1 361
Change in other accruals	-2 158	-1 266	-5 873	6 129	14 276
Net cash flows from operating activities	-12 023	-423	-28 653	8 029	-12 758
Cash flow from investing activities					
Purchase of property, plant and equipment	-443	—	-443	—	—
Capitalized development costs	-6 194	-4 929	-12 285	-10 506	-23 327
Net cash flows from investing activities	-6 637	-4 929	-12 729	-10 506	-23 327
Cash flow from financing activities					
Payments of lease liabilities, classified as financing activities	-686	-558	-1 363	-1 116	-2 662
Repayments of current borrowings	-1 000	-1 000	-2 000	-2 000	-4 000
Proceeds from issuing shares	—	2 622	—	2 622	2 972
Payments for share issue costs	—	—	—	—	—
Interests paid, classified as financing activities	-147	-140	-313	-280	-571
Net cash flows from financing activities	-1 832	924	-3 675	-775	-4 261
Net Change in Cash and Cash Equivalents	-20 492	-4 429	-45 057	-3 252	-40 347
Cash and cash equivalents at the beginning of the period	153 951	219 296	178 219	218 151	218 151
Effect of foreign currency rate changes on cash and cash equivalents	141	490	437	458	416
Cash and cash equivalents at the end of period	133 600	215 357	133 600	215 357	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 Second quarter consolidated financial statements of the Group have been prepared in accordance with IAS 34 for the financial reporting of the Second 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 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)	Q2 2023	Q2 2022	1H 2023	1H 2022	2022
Revenue recognised over time					
Revenue recognised at point in time	33 180	9 621	37 230	15 137	52 062
Total revenue	33 180	9 621	37 230	15 137	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 June 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.

Note 3 – Other operating expenses

(Amounts in 000 NOK)	Q2 2023	Q2 2022	1H 2023	1H 2022	2022
Sales and marketing expenses	2 296	1 117	4 255	2 422	5 385
Short-term lease expenses	449	265	834	464	966
Electricity, heating and other property expenses	840	385	1 367	651	1 399
Consultants	1 555	925	2 511	1 847	3 527
Auditor	217	411	635	741	1 087
Legal	788	420	933	1 113	1 361
Patents	176	112	527	209	578
IT/Software	804	1 001	1 602	1 995	4 430
Other expenses	1 261	418	1 757	763	1 782
Recoveries of previously written-off receivables in 2018	-2 293	0	-2 708	0	0
Government grants recognized as other cost reduction	-103	-97	-205	-188	-441
Total other operating expenses	5 989	4 957	11 507	10 016	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	885		9 580	10 465
Cost at 30.06.2023	20 531	24	67 517	88 072
Accumulated amortization charges 01.01.2023	11 836	6	18 190	30 032
Amortization charges	302		5 794	6 095
Accumulated amortization charges 30.06.2023	12 138	6	23 984	36 127
Net booked value as at 30.06.2023	8 393	18	43 533	51 943
Useful life:	5	5	5	
Amortization method:	Straight-line	Straight-line	Straight-line	

IFRS 16 Leases depreciation for the period 1 January to 30 June 2023 was TNOK1 363.

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	1 238	0	7 409	8 647
Cost at 30.06.2022	18 451	24	48 114	66 589
Accumulated amortization charges 01.01.2022	11 322	6	10 049	21 377
Amortization charges	243		4 070	4 313
Accumulated amortization charges 30.06.2022	11 565	6	14 120	25 691
Net booked value as at 30.06.2022	6 887	18	33 995	40 898
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 30.06.2023	443	443
Accumulated depreciation charges 01.01.2023	—	—
Current year depreciation	7	7
Cost at Accumulated depreciation charges 30.06.2023	7	7
Net booked value as at 30.06.2023	436	435
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 June 2023, the Group has option programs that includes a total of 61 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 June 2023, the total number of outstanding options for both employees and management, when converted into shares, was 7 446 273 of which 2 995 625 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 June 2023 was 1 11 520 483.

The 25th of May 2023, the board of directors resolved to grant a total of 2,315,000 share options (equivalent to approximately 2.22% of the total share capital) to 62 employees and members of the management. The resolution to grant these options was made following the publication of the Company's Q1 2023 report.

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>	30.06.2023	31.12.2022
Cash and cash equivalents	133 600	178 219
Of which are restricted cash:		
Restricted bank deposits for employee tax withholdings	3 168	1 324
Not restricted cash	130 432	176 895

Note 8 – Estimates

The deferred tax assets include an amount of mNOK 70.4 which relates to carried forward tax losses of Elliptic Laboratories ASA. Elliptic Laboratories ASA has incurred the losses over the last several years mainly due to expenses relating to research and development of intangible assets which do not meet the capitalization criteria. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on profitability. Its scalable business model, entered into contracts with customers and expectations of future growth of business opportunities based on already established customer relations in several market verticals. Elliptic Laboratories ASA expects the carried forward tax loss to be utilized within a few years. The losses can be carried forward indefinitely and have no expiry date.

Note 9 – Government grants

The table below sets forth the treatment of government grants.

<i>(Amounts in 000 NOK)</i>	Q2 2023	Q2 2022	1H 2023	1H 2022	2022
Recognized as income from other sources	310	—	310	—	—
Reduction of capitalized patents	—	—	—	—	4
Reduction of capitalized development	910	927	1 820	1 859	3 659
Recognized as payroll cost reduction	175	164	350	328	646
Recognized as other cost reduction	103	97	205	188	441
Total government grants	1 498	1 188	2 685	2 375	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.

<i>(Amounts in 000 NOK)</i>	<i>Notes</i>	Q2 2023 <i>(Unaudited)</i>	Q2 2022 <i>(Unaudited)</i>	1H 2023 <i>(Unaudited)</i>	1H 2022 <i>(Unaudited)</i>	2022 <i>(Audited)</i>
Revenues from contracts with customers		33 180	9 621	37 230	15 137	52 062
Other operating income	9	310	—	310	—	—
Total revenue and other operating income	2	33 491	9 621	37 540	15 137	52 062
Employee benefits expenses		-19 280	-15 628	-38 219	-29 526	-62 802
Other operating expenses	3	-5 989	-4 957	-11 507	-10 016	-20 073
EBITDA		8 222	-10 964	-12 185	-24 405	-30 814

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

<i>(Amounts in 000 NOK)</i>	Q2 2023	Q1 2023	Q4 2022	Q3 2022	LTM
Revenues from contracts with customers	33 180	4 050	9 848	27 077	74 155
EBITDA	8 222	-20 407	-12 643	6 234	-18 594

Note 11 – Subsequent events

On the 27th of April 2023, Elliptic Labs announced the First Launch with Vivo, a Leading Smartphone Manufacturer.

On the 5th of May 2023, Elliptic Labs announced it had signed a New Expansion Contract with an Existing Smartphone Customer.

On the 3rd of July 2023, Elliptic Labs signed a new expansion agreement with an existing laptop customer.

On the 6th of July 2023, Elliptic Labs launched its AI Virtual Smart Sensor Platform on the HONOR X50 Smartphone.

Board and Management confirmation

We confirm that, to the best of our knowledge, the enclosed condensed set of financial statements for the first half year of 2023, which has been prepared in accordance with IAS 34 Interim Financial Statements, gives a true and fair view of assets, liabilities, financial position and profit or loss of the Company and the group as a whole, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Oslo, 13th of July 2023

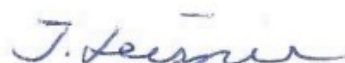
The Board of Directors and Chief Executive Officer of Elliptic Laboratories ASA



Tore Engebretsen
Chairman



Edvin Austbø
Board Member



Ingrid Elvira Leisner
Board Member



Svann-Tore Larsen
Board Member



Berit Svendsen
Board Member



Laila B. Danielsen
CEO

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