



## Dear shareholders

Together we beat the Norwegian crowdfunding record! We never imagined such a vast interest in our crowdfunding campaign, and we would like to thank you all for making this happen. We more than welcome you into the Lilbit family, and we can not wait to fulfill our goals and ambitions. In the time ahead, we will put all our effort into becoming an international market leader within smart care for pets- but we still need your help.



### **Help us give pets the respect and care they deserve**

While we focus on developing the technology, you as a shareholder, can contribute by following Lilbit, Lildog and Lilcat on social media. Help us by sharing, liking and engaging in our posts.

We also encourage you to share your competence and advice, whether you are a dog owner, veterinarian, dog trainer, marketer or have experience with IPO strategies. We welcome any advice you might have, because together we can reach our goal even faster. We already have a strong technical team, and now we are continuing to strengthen it by appointing a Chief Commercial Officer. Do not hesitate to notify us if you know anyone with documented experience within international growth and success!

### **Try, fail, learn and try again**

Our three first generations of tracking devices failed to achieve the expectations of the market. There was no correspondence between the technology provided and the expectations of technology. The users anticipated a GPS-tracker that worked just as well as the ones used in cars. However, because tiny portable GPS-units have small batteries, the power drains in the matter of a few hours if they run on the same capacity. Therefore, we developed battery saving functions, such as *Active mode* and *Passive mode*, and live-tracking which required the device to constantly update its location. These functions solved the problem of a short battery life and



inaccurate location, but new challenges arised.

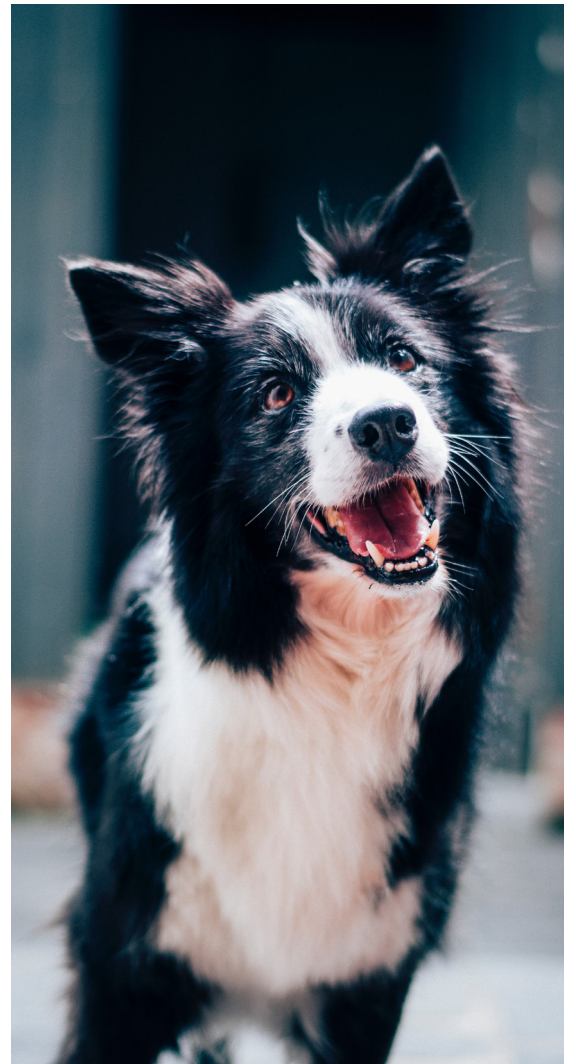
On one side, in *Active mode*, the unit updated the location every five minutes which increased the battery life to three days. But on the other side, the unit lost its ability to consider the pet's last location, which direction it went, and the acceleration, time and speed to calculate its new location. As a consequence, we could not offer a precise location if the cat or dog stood close to a building, car or tree because these obstacles blocked the satellite signal. Needless to say, the complaints from users were plentiful.

In *Passive mode* the unit was put to sleep which increased the battery life to fourteen days. To see the pet's whereabouts, the user had to manually update the location by pushing a button in the app. This mode made location history, battery updates, and other notifications unavailable. Once again, the tracker did not live up to the users expectations.

Despite these errors, we still have 6000 satisfied users who pay a monthly subscription for our earlier products. By interviewing some of our current users, we realized they have an above average technical insight and understanding of how to navigate between the different settings.

### **A new product working seamlessly straight from the box**

With the new device we can finally deliver a tracker that works according to what the majority expect, without the need for technical insight or user knowledge. This device works seamlessly straight from the box, with precise and automatic location updates. We also offer map history and information regarding your dog's surroundings. We aim for a battery life of up to 90 days with normal use, but expect a shorter battery time to start with, while we



still work on optimizing the battery.

### **What makes the new device better?**

An important aspect in the world of technology is battery consumption. The new narrowband technology is made to send small amounts of data over a longer distance, with the purpose of reducing battery consumption for tiny wearable devices that connect to a network.

For that reason, narrowband is commonly referred to as 'the internet of things'. To make use of narrowband technology a product must be optimized for small streams of data. The whole product, from circuit board, to antenna, software, service, mobile applications and product must be produced iteratively and collectively. It is not enough to use a reference design for the circuit board, buy antennas, and use one team for hardware and another for software, and a third team for service and mobile application development, as done with broadband products. The development of such a device requires a larger, cross-functional and interdisciplinary team of developers, who in the same process, work together on developing the product and design into production.







### **It is all about gaining a better understanding of our pets**

By improving the battery time considerably we will get a device with a long durability. As we eventually reduce the power usage, we will use more energy on interpreting data directly with machine learning. Instead of sending raw data to the network, we will send a processed interpretation of raw data. Our hardware has the processor power to do so while still maintaining a low battery usage. And that is exactly what makes our product built for the future. When the device begins to recognise a pet's behavior and movements, it will be able to interpret all the small signs and signals cats and dogs give away, and provide us information regarding the animal's health and needs. This will change how we understand and take care of our pets. The way we engage with our pets and the overall quality of life, to both the pet and the owner, will be improved. In other words, our vision to give pets the same care and respect they give us has become possible.

In the book 'The 7 Habits of Highly Effective People', the author, Stephen Covey, says "To begin with the end in mind, means to start with a clear understanding of where you are now and where you want to go, so that each step you make is in the right direction". This method has motivated everything Lilbit has done in the past three years. We began with a vision, and now

we're delivering a product built for the future.

### **Along the journey we made good friends**

Forbes writes that IoT is anticipated to be history's greatest market. We have been lucky to work consistently with development in this market for almost five years, even before Apple confirmed the market in 2021, with the launch of their Airtag.

The fact that Nordic Semiconductor is located just up the road from us, ready to contribute with their new narrowband chip, is a golden opportunity. At that time, experts advised us to work with one of the market leaders, as opposed to a local business. Luckily for us, Apple too chose to work with Nordic Semiconductor, whom today is a market leader currently experiencing exceptional growth.

We are also grateful to have received funding seven times from *Innovasjon Norge* and the institute for science, *Forskningsrådet*. The last fund they granted us was to develop our own production line here in Norway, just before the whole world went into lockdown, making it challenging for anyone who produces and develops internationally.





### **The customer is always right**

Our initial plan was to initiate product pre-sales in December to become a part of the Christmas sales. However, because the communication regarding our product is still in the molding process, we have decided to postpone the pre-sales. We want to be sure our product is perceived and experienced in a way that gives the user a seamless experience. Everything is about creating a good user experience, and we do not want to risk that users perceive the first impression as mediocre.

### **Production and future**

In 2019, we appointed Einar Aaland, the previous Chief production officer at Autronica and Q-Free to assemble a fully automatic production line for us here in Trøndelag, Norway. Since then we have worked with design for manufacturing (DFM) and implemented manufacturing and distribution methods.

We have already manufactured several series of prototypes for testing and certification. In December the first series for mass production will run through the manufacturing line. The series consists of 200 devices, and the goal is to locate errors and unforeseen glitches in the product and its manufacturing environment.

We have ordered 5,000 components with an estimated delivery date for the first quarter of 2022. We have also begun the process of purchasing between 20,000 and 30,000 series. Our plan is to increase the manufacturing numbers systematically and controlled, while delivering the first devices to Norwegian consumers. The first generation of users we wish to follow closely, so we can get rid of errors and glitches before we mass distribute through well established nordic retailers. We have several major distribution channels in the Nordic, Benelux and German regions, so these locations will be a natural next step for us.

### **Stock Market**

In the book “The Intelligent Investor”, Warren Buffer writes in the preface that a smart investor points out the market she thinks will grow in the future, and then invests in the companies with the best potential in this market. If we are to follow this strategy, and believe the theory about IoT becoming history’s biggest market, then everyone who has invested in Lilbit has made a brilliant choice.

If we also consider the fact that Norway, with Telenor and Telia, is a world leader within narrowband for IoT, and that Nordic Semiconductor is one of the largest prosecutor of semiconductors for this market, we can see that a company with Lilbit’s geographical profile has the best potential in this market. When these factors become visible for everyone, a initial public offering will pay off.

### **Preparing for the IPO**

We have recently appointed a CFO who’s working with the planning, implementation and execution of lilbit’s initial public offering. Our CFO will also surveil the company’s economy and report to our board and stockholders. We see no reason to await with the IPO, but want to hold back on further details until manufacturing, sales and the company’s IPO strategy is completely in place.







### **We will be in touch shortly**

We will continue to update you on the company's development, but for now we're working on finding the best communal platform for everyone involved in the Lilbit family. The next newsletter will reach you early in 2022, with information regarding our new visual profile, a sneak peek into our app and exclusive insight in how we cross-functionally work with our hardware, software, service and market teams. Do not hesitate to contact us if you have any comments or questions.

We wish you a merry christmas and a happy new year!

Morten Sæthre  
CEO lilbit AS