



N E X T B I O M E T R I C S G R O U P A S A

Q U A R T E R L Y R E P O R T - Q 2 2 0 2 1

One Touch.  
**One You.**  
NEXT Biometrics

# NEXT Biometrics Group ASA

## Quarterly report – Q2 2021

### Highlights

- Orders booked for the quarter of NOK 15.7 m while revenues of NOK 10.5 m in Q2 2021
- 19 accumulated design wins during last 18 months
- Partnership with global face recognition leader Paravision announced subsequent to quarter end
- Gross margin of 21% in Q2 2021
- Underlying Q2 OPEX at NOK 14.9 m. Reported Q2 OPEX positively impacted by gains of NOK 9.2 m
- EBITDA ex options<sup>1)</sup> of NOK -3.6 m in Q2 2021
- Cash position of NOK 119 m per 30 June 2021

### CEO Statement

Our performance in Q2 was hampered by the supply chain challenges affecting so many industries. We have worked hard to overcome these difficulties, but many obstacles remain beyond our control. Our new customers face challenges securing components for their products, and hence they also delay their purchase orders with NEXT.

On the other hand, orders booked for the second quarter were fifty per cent higher than we were able to deliver due to the same supply chain challenges. Our backlog of orders would have taken us to almost NOK 16 million in Q2 revenues.

This also affected our gross margins, as most of the delayed deliveries are for FAP20 sensors with considerably higher margins.

On the bright side, we continue to secure design wins, and have now accumulated 19 design wins during the last 18 months, an average of one per month. We announced one design win in India during the quarter, relating to a POS device targeted for the Indian fintech market. In addition, we added two new design wins during the quarter that were not yet announced. These two design wins in the EMEA region are still in the early stage, and we have not yet received a sizeable purchase order from these two customers.

Going forward we expect to continue to secure further design wins on a consistent basis. We have a strong cash position and our OPEX spending will remain at the present, low level. The supply chain challenges are long term expected to ease, both due to internal efforts and external factors.

Despite the present challenges we remain very confident that we are on the right track to make this company successful.

Thank you.

**Peter Heuman**, CEO of NEXT Biometrics Group ASA

(amounts in NOK million)	Q2 2021	Q2 2020	6 months 2021	6 months 2020	Full year 2020
Total revenues	10.5	13.6	24.6	34.1	58.1
Gross margin (%)	21 %	13 %	25 %	15 %	15 %
EBITDA ex options <sup>1)</sup>	-3.6	-23.0	-14.6	-56.7	-78.9
Cash and cash equivalents - closing balance	119.0	97.8	119.0	97.8	67.9

<sup>1)</sup> See definition on page 13

## Operational review

NEXT experienced a temporary set-back in Q2 2021 due to semi-conductor industry shortage of microchips, which had a negative impact on both some of NEXT's customers' ability to place orders with NEXT and NEXT's ability to fulfil orders in a timely manner. In particular, Q2 shipments of FAP20 sensors were low as a result of this development. NEXT continued its dialogue with current and prospective customers to introduce the FAP20 sensor technology for Point of Sales (POS), Government ID and Access control applications and generated substantial interest in the FAP20 sensor, which is also reflected in the increasing number of design wins.

Q2 orders from existing PC customers has grown significantly relative to Q1 2021 and last year. Still, shipments of notebook sensors have lagged due to shortage of microchips. Early February 2021, NEXT announced the first order for a new high-end PC product with its largest existing laptop customer. The new NEXT high-end PC sensor is compliant with the Microsoft Secure BIO standard. NEXT started to ship sensors targeted for PC production late Q1 2021. The volume started from a low base in Q1 and increased further in Q2. NEXT is still awaiting Microsoft's official launch of its Secure BIO standard. NEXT is also working on new business opportunities with additional laptop manufacturers.

Under the initiated Aadhaar national ID registration program in India, NEXT is LO certified and is a qualified vendor for Aadhaar products and solutions, which is a prerequisite for selling fingerprint sensors and solutions in India. During the quarter, the Group shipped two medium sized and one smaller order for UIDAI and STQC certified fingerprint biometric sensors.

NEXT's gross margin was 21% for Q2 2021, up from 13% in Q2 2020. The margin has improved relative to 2020 due to improved product mix in Q2 2021 with increased portion of high margin products. Still, the margin decreased relative to Q1 2021 due to the low volume of FAP20 sensors shipped in Q2 2021.

The Group reached an adjusted OPEX of NOK 5 million per month (excluding share-based remuneration, COVID-19 loan relief and estimated SkatteFUNN grant) during the quarter, which is a 40% reduction compared to Q2 2020.

## Interim condensed financial statements as of 30 June 2021 (unaudited)

### Statement of comprehensive income

Revenues for Q2 2021 were NOK 10.5 million compared to NOK 13.6 million in Q2 2020. The decrease in revenues from Q2 2020 was due to strengthening of the Norwegian krone currency rate relative to the US dollar and lower sensor shipment volumes due to supply chain constraints.

Payroll expenses excluding stock option costs were NOK 7.9 million in Q2 2021 compared to NOK 16.2 million in Q2 2020. The reduction was mainly related to reduced number of employees and lower share of employees in high-cost countries. Employee stock option costs was NOK 1.9 million in Q2 2021 compared to negative NOK 1.1 million in Q2 2020. The option costs in Q2 2021 reflects the recognition of a full quarter of stock option costs while the option costs in Q2 2020 were negative due to cancellation of options held by former employees. See note 4 for further information on stock option cost.

Other operating expenses excluding stock option costs were negative NOK 2.1 million (gain) in Q2 2021 compared to NOK 8.6 million (cost) in Q2 2020. The reduction in costs is mainly related to the booking of loan relief on government sponsored COVID-19 loan in USA. The loan relief was booked as a reduction of costs NOK 7.8 million (see note 6 for further information). The Group also booked a NOK 1.3 million cost reduction as a result of recognizing estimated SkatteFUNN grant during the quarter.

Depreciation and amortization were NOK 1.8 million in Q2 2021 compared to NOK 4.9 million in Q2 2020. Impairment losses were NOK 0.0 in Q2 2021 compared to NOK 6.6 million in Q2 2020.

Net financial items were positive NOK 0.4 million in Q2 2021 compared to negative NOK 1.5 million in Q2 2020.

Income tax expense was positive NOK 0.0 million in Q2 2021, compared to positive NOK 0.3 million in Q2 2020.

Loss after taxes for Q2 2021 were NOK 7.0 million compared to a loss of NOK 34.6 million for Q2 2020.

### **Statement of financial position and cash flow**

Cash and cash equivalents amounted to NOK 119.0 million per 30 June 2021, compared to NOK 97.8 million per 30 June 2020.

Net cash flow from operating activities was negative NOK 12.2 million in Q2 2021, compared to negative NOK 10.8 million in Q2 2020. The negative cash flow in Q2 2021 is mainly due to operating losses and negative cash flow from working capital items.

Net cash flow from investing activities was NOK 0.0 million in Q2 2021, compared to NOK 0.0 million in Q2 2020.

Net cash flow from financing activities was positive NOK 1.2 million in Q2 2021 compared to positive NOK 54.8 million in Q2 2020. The decrease in cash flow is due to the share issues completed in Q2 2020 as well the receipt of proceeds from the US COVID-19 loan in Q2 2020.

## **Going concern**

The Group's financial statements for Q2 2021 have been prepared on the basis of a going concern assumption.

## **Outlook**

The markets for NEXT's fingerprint sensor technology are expected to grow in 2021 and beyond. The Board's view is that NEXT's unique products and patented technology has considerable long-term revenue potential.

The Group's main focus is to increase the number of customers choosing to design-in NEXT FAP20 sensors, Notebook sensors and India Aadhaar related program products. The Group has achieved multiple new FAP20 design-wins during the last 18 months, which is the first and most important step towards future, recurring high margin revenue growth.

Sales of the NEXT FAP20 sensor has the highest priority due to its considerable market potential and higher gross margin. Since announcement of the partnership with the "Tech Giant" we have experienced an improved interest from potential new customers in the market.

NEXT Notebook sensor customer orders are at an all-time high for 2021. The limiting factor for our shipments to PC customers is the inadequate availability of production capacity among the world's semiconductor manufacturers. We are working with our suppliers to secure additional components. However, we see challenges related to component shortages that is likely to impact NEXT's ability to meet this increased PC-segment customer demand in the short term. Going into quarter three, we expect the situation to improve, but we are expecting to carry a backlog with unfulfilled orders largely at the same level as we had at the end of Q2.

With secured components for quarter three delivery, we expect to increase PC sensor revenues in Q3. Longer term, we expect to solve the supply chain challenges and catch up with increased customer demand.

In India, we are together with existing customers closely following the India authorities delayed launch of the updated L1 certification of all biometric solutions.

Subsequent to quarter end, NEXT signed a partnership agreement with Paravision (#1 ranked U.S. face recognition company). Dual authentication methods based on both face and fingerprint biometric solutions will be offered to existing and new customers. NEXT will be more relevant in the market with this enriched biometric product offering, which is likely to add software revenues in the medium to long-term.

NEXT expects growing revenues in 2021, despite the supply chain challenges. The Group has achieved 19 design-wins from Q4 2019 up to June 2021, which will contribute to future revenues. Additional design wins and purchase orders from both existing and new customers are expected to be announced during the remaining part of 2021.

## **Responsibility statement**

We confirm that, to the best of our knowledge, the condensed consolidated interim financial statements for the first half year of 2021, have been prepared in accordance with IAS 34 “Interim Financial Reporting” and give a true and fair view of the Group’s assets, liabilities, financial position and results of operations. We also confirm that, to the best of our knowledge, the interim report for the first half year of 2021 includes a fair review of important events that have occurred during the period and their impact on the condensed financial statements, a description of the principal risks and uncertainties for the remaining half year of 2021, and major related party transactions.

**Oslo, 17 August 2021**

**CEO and Board of Directors**

**NEXT Biometrics Group ASA**

Peter Heuman (CEO)

Petter Fjellstad (Chairman)

Emine Lundkvist (Board member)

Live Haukvik (Board member)

Odd Harald Hauge (Board member)

## NEXT BIOMETRICS GROUP ASA

## Interim condensed consolidated statement of comprehensive income (unaudited)

(amounts in NOK 1 000)	Notes	Q2 2021	Q2 2020	6 months 2021	6 months 2020	Full year 2020
Operating revenues	2	10 447	13 628	24 505	34 112	57 770
Other revenues		94	-	113	-	363
Cost of goods sold		-8 337	-11 812	-18 580	-28 877	-49 387
<b>Gross margin</b>		<b>2 204</b>	<b>1 815</b>	<b>6 038</b>	<b>5 235</b>	<b>8 746</b>
Payroll expenses	3,4	-9 765	-15 094	-23 087	-38 902	-63 228
Other operating expenses	3,4,6	1 888	-8 641	-4 322	-21 860	-28 857
<b>EBITDA</b>		<b>-5 673</b>	<b>-21 919</b>	<b>-21 371</b>	<b>-55 528</b>	<b>-83 339</b>
Depreciation and amortization	5	-1 799	-4 869	-3 474	-9 058	-15 279
Impairment losses		-	-6 577	-	-6 577	-6 577
<b>Operating profit (loss)</b>		<b>-7 471</b>	<b>-33 365</b>	<b>-24 845</b>	<b>-71 163</b>	<b>-105 195</b>
Net financial items		408	-1 529	239	1 313	411
<b>Profit (loss) before taxes</b>		<b>-7 063</b>	<b>-34 894</b>	<b>-24 606</b>	<b>-69 849</b>	<b>-104 784</b>
Income tax expenses		30	287	-30	-56	2 990
<b>Profit (loss) after taxes</b>		<b>-7 034</b>	<b>-34 607</b>	<b>-24 635</b>	<b>-69 905</b>	<b>-101 794</b>
<i>Other comprehensive income (loss) that may be reclassified subsequently to profit and loss:</i>						
Translation differences on net investments in foreign operations		-88	-659	-117	2 994	3 129
<b>Other comprehensive income (loss)</b>		<b>-88</b>	<b>-659</b>	<b>-117</b>	<b>2 994</b>	<b>3 129</b>
<b>Total comprehensive income (loss)</b>		<b>-7 122</b>	<b>-35 267</b>	<b>-24 753</b>	<b>-66 912</b>	<b>-98 665</b>
<b>Profit (loss) after taxes attributable to:</b>						
Owners of the parent company		-7 034	-34 607	-24 635	-69 905	-101 794
<b>Total comprehensive income (loss) attributable to:</b>						
Owners of the parent company		-7 122	-35 267	-24 753	-66 912	-98 665
<b>Earnings per share (in NOK):</b>						
Basic and diluted		-0.07	-0.64	-0.28	-1.33	-1.58

## NEXT BIOMETRICS GROUP ASA

## Interim condensed consolidated statement of financial position (unaudited)

(amounts in NOK 1 000)	Notes	30 Jun 2021	30 Jun 2020	31 Dec 2020
Deferred tax assets		36	14	58
Intangible assets		4 779	8 498	5 446
Property, plant and equipment	5	18 565	21 202	17 197
Other non-current assets		346	-	704
<b>Total non-current assets</b>		<b>23 727</b>	<b>29 714</b>	<b>23 404</b>
Inventories		20 527	21 459	21 725
Accounts receivables		8 970	8 223	4 056
Other current assets		14 627	11 829	14 342
Cash and cash equivalents		118 991	97 775	67 950
<b>Total current assets</b>		<b>163 115</b>	<b>139 286</b>	<b>108 072</b>
<b>Total assets</b>		<b>186 842</b>	<b>169 000</b>	<b>131 477</b>
Share capital	4	91 513	70 193	75 944
Share premium		127 005	71 796	56 633
Other reserves		66 270	57 118	62 637
Accumulated losses		-122 780	-86 580	-98 027
<b>Total equity</b>		<b>162 008</b>	<b>112 527</b>	<b>97 188</b>
Deferred tax liabilities		86	-	135
Non-current interest-bearing loans	6	-	5 305	5 609
Other non-current liabilities	5	3 157	1 139	1 164
<b>Total non-current liabilities</b>		<b>3 243</b>	<b>6 444</b>	<b>6 908</b>
Current interest-bearing loans	6	618	4 331	2 346
Accounts payables		4 402	17 293	11 047
Income tax payables		1	51	60
Other current liabilities	5	16 570	28 354	13 928
<b>Total current liabilities</b>		<b>21 591</b>	<b>50 029</b>	<b>27 381</b>
<b>Total equity and liabilities</b>		<b>186 842</b>	<b>169 000</b>	<b>131 477</b>

## NEXT BIOMETRICS GROUP ASA

## Interim condensed consolidated statement of cash flow (unaudited)

(amounts in NOK 1 000)	Q2 2021	Q2 2020	6 months 2021	6 months 2020	Full year 2020
Profit (loss) before taxes	-7 063	-34 894	-24 606	-69 849	-104 784
Share based remuneration (equity part)	2 999	-1 115	3 633	-1 143	4 376
Income taxes paid	9	-29	-44	-207	-408
Depreciation and amortization	1 799	4 869	3 474	9 058	15 279
Impairment losses	-	6 577	-	6 577	6 577
Change in working capital items and other	-9 944	13 796	-15 805	11 314	-1 409
<b>Net cash flow from operating activities</b>	<b>-12 201</b>	<b>-10 797</b>	<b>-33 349</b>	<b>-44 251</b>	<b>-80 369</b>
Proceeds from disposal of property, plant and equipment and intangible assets	-	6	-	6	11
Purchases of property, plant and equipment and intangible assets	-147	-	-147	-	-88
Proceeds from lease receivables	168	-	348	-	117
<b>Net cash flow from investing activities</b>	<b>21</b>	<b>6</b>	<b>201</b>	<b>6</b>	<b>40</b>
Net proceeds from issue of shares	1 840	45 780	85 940	45 780	55 720
Proceeds from interest-bearing loans	-	10 152	-	10 152	10 152
Payments of lease liabilities	-679	-1 102	-1 717	-2 205	-4 574
<b>Net cash flow from financing activities</b>	<b>1 161</b>	<b>54 830</b>	<b>84 223</b>	<b>53 727</b>	<b>61 297</b>
<b>Net change in cash flow</b>	<b>-11 019</b>	<b>44 039</b>	<b>51 075</b>	<b>9 482</b>	<b>-19 032</b>
<b>Cash balance at beginning of period</b>	<b>130 162</b>	<b>54 072</b>	<b>67 950</b>	<b>88 541</b>	<b>88 541</b>
Effects of exchange rate changes on cash and cash equivalents	-153	-337	-35	-249	-1 559
<b>Cash balance at end of period</b>	<b>118 991</b>	<b>97 775</b>	<b>118 991</b>	<b>97 775</b>	<b>67 950</b>
<b>Comprising of:</b>					
Cash and cash equivalents	118 991	97 775	118 991	97 775	67 950

## NEXT BIOMETRICS GROUP ASA

## Interim condensed consolidated statement of changes in equity (unaudited)

(amounts in NOK 1 000)	Notes	Share capital	Share premium	Other reserves	Accumulated losses	Total equity
<b>As of 1 January 2021</b>		<b>75 944</b>	<b>56 633</b>	<b>62 637</b>	<b>-98 027</b>	<b>97 188</b>
Profit (loss) after taxes					-24 635	-24 635
Other comprehensive income (loss)					-117	-117
Total comprehensive income (loss)		-	-	-	-24 753	-24 753
Share issues net	4	15 568	70 372			85 940
Share based remuneration	4			3 633		3 633
<b>As of 30 June 2021</b>		<b>91 513</b>	<b>127 005</b>	<b>66 270</b>	<b>-122 780</b>	<b>162 008</b>
<b>As of 1 January 2020</b>		<b>42 931</b>	<b>53 278</b>	<b>58 261</b>	<b>-19 668</b>	<b>134 801</b>
Profit (loss) after taxes					-69 905	-69 905
Other comprehensive income (loss)					2 994	2 994
Total comprehensive income (loss)		-	-	-	-66 912	-66 912
Share issues net		27 262	18 518			45 780
Share based remuneration				-1 143		-1 143
<b>As of 30 June 2020</b>		<b>70 193</b>	<b>71 796</b>	<b>57 118</b>	<b>-86 580</b>	<b>112 527</b>

## Notes to the interim consolidated financial statements

### Note 1 – General information and accounting principles

NEXT (the Group) consist of NEXT Biometric Group ASA (the parent company) and its subsidiaries. NEXT Biometrics Group ASA is a public limited liability company incorporated and domiciled in Norway and is listed at Oslo Stock Exchange under the ticker NEXT.

The Group's operations are carried out by the operating subsidiaries. The Group has five wholly owned active operating subsidiaries: NEXT Biometrics AS (Oslo, Norway), NEXT Biometrics Inc. (Seattle, USA), NEXT Biometrics China Ltd. (Shanghai, China), NEXT Biometrics Taiwan Ltd. (Taipei, Taiwan) and NEXT Biometrics Solutions India Pvt. Ltd. (Bengaluru, India).

The Group provides advanced fingerprint sensor technology that delivers uncompromised security and accuracy for the best possible user experience in the smart card, government ID, access control and notebook markets.

This report contains forward-looking statements that are based on, among other things, the management current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for the Group. All such forward-looking statements are subject to inherent risks and uncertainties, and many factors can cause substantially deviations from what has been expressed or implied in such statements.

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim financial reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for 2020 (Annual Report for 2020). The Annual Report for 2020 is available at [www.nextbiometrics.com](http://www.nextbiometrics.com).

The accounting policies applied in preparation of the interim financial statements are consistent with those applied in the preparation of Annual Report for 2020. There are no new standards and interpretations effective from 1 January 2021 that had a significant impact on the Group's consolidated interim financial statements.

As a result of rounding differences, numbers or percentages may not add up to the total.

The Group's interim financial statements for Q2 2021 have been prepared on the basis of a going concern assumption.

This interim financial report has not been subject to audit.

The Board of Directors approved the report on 17 August 2021.

## Note 2 – Revenue and segment reporting

(amounts in NOK 1 000)	Q2 2021	Q2 2020	6 months 2021	6 months 2020	Full year 2020
Fingerprint sensor technology	10 447	13 628	24 505	34 112	57 770
<b>Total operating revenues</b>	<b>10 447</b>	<b>13 628</b>	<b>24 505</b>	<b>34 112</b>	<b>57 770</b>

NEXT targets four markets for the technology;

- (i) Smart cards
- (ii) Government ID
- (iii) Access control
- (iv) Notebooks

The available technology is generic into the four markets. Most of NEXT's key IP, including our *NEXT Active Thermal™* is shared and used in all four markets.

## Note 3 – Operating expenses

(amounts in NOK 1 000)	Q2 2021	Q2 2020	6 months 2021	6 months 2020	Full year 2020
R&D related payroll expenses	-1 697	-7 400	-3 943	-19 758	-28 948
Other payroll expenses	-6 164	-8 809	-12 653	-20 287	-30 329
Share based remuneration (salary part)	-2 821	1 115	-3 396	1 143	-3 882
Share based remuneration (employer's tax)	917	-	-3 096	-	-69
<b>Total payroll expenses</b>	<b>-9 765</b>	<b>-15 094</b>	<b>-23 087</b>	<b>-38 902</b>	<b>-63 228</b>

(amounts in NOK 1 000)	Q2 2021	Q2 2020	6 months 2021	6 months 2020	Full year 2020
R&D related operating expenses	6 849	-2 483	4 871	-7 345	-6 983
Other expenses	-4 782	-6 158	-8 957	-14 515	-21 381
Share based remuneration (operating part)	-178	-	-237	-	-494
<b>Total other operating expenses</b>	<b>1 888</b>	<b>-8 641</b>	<b>-4 322</b>	<b>-21 860</b>	<b>-28 857</b>
<b>Total R&amp;D expenses</b>	<b>5 152</b>	<b>-9 883</b>	<b>928</b>	<b>-27 103</b>	<b>-35 930</b>

R&D related operating expenses includes estimated SkatteFUNN grant for 2021 of NOK 1.3 million and gain on government sponsored loan in USA due to loan relief of NOK 7.8 million. See note 6 for further information regarding the loan relief.

## Note 4 – Shares and incentive options

### Numbers of shares outstanding

As of 1 January 2021	75 944 489
Share issues	15 568 397
<b>As of 30 June 2021</b>	<b>91 512 886</b>

In May 2021, 748,500 share options were exercised at a subscription price of NOK 2.49 per share, corresponding to gross proceeds of NOK 1.9 million. Direct expenses related to the share issue were estimated to NOK 0.0 million.

### Share options:

NEXT has entered into and plans to continue to enter into stock option agreements in order to attract talented and experienced employees and board members.

During the quarter, NEXT booked NOK 2.8 million in stock option cost relating to employees and NOK 0.2 million in stock option costs for contractors. The Group also booked a decrease of NOK 0.9 million in stock option social security accrual due to decrease in the parent company's stock price during Q2 2021.

The number of outstanding options increased by net 3.3 million options during Q2 2021. The increase is mainly due to awarded stock options to employees and management in May 2021, offset by exercise of options from the 2020 option program and cancellation of options for former employees holding option grants. The Group had 9,968,701 options outstanding as per 30 June 2021.

## Note 5 – Leases

During Q2 2021, office leases in China, USA and Taiwan expired and the Group entered into new office leases with significantly smaller individual office sizes and monthly cost. The individual lease terms for the new leases are 2-3 years including extension periods. Lease payments were discounted using discount rates from 4.9% to 7.6%. The new lease agreements were recognized with NOK 3.8 million in right-of-use assets and NOK 3.7 million in lease liabilities. The difference between right-of-use assets and lease liabilities is related to prepayments and initial direct costs.

## Note 6 – Interest-bearing loans

In Q2 2020, NEXT Biometrics Inc. was granted a loan amounting to USD 1.0 million under the US Small Business Administration COVID-19 loan program. During Q2 2021, NEXT received confirmation that it was granted USD 0.9 million in loan forgiveness. The loan forgiveness was booked as reduction in Q2 other operating expenses.

## Note 7 – Subsequent events

Between 30 June 2021 and the resolution of these condensed consolidated interim financial statements, there has not been any other event which would have had any noticeable impact on NEXT's result for the Q2 2021 period nor on the value of the Group's assets and liabilities as per 30 June 2021.

## Alternative performance measures

NEXT's financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). In addition, it is management's intent to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of NEXT's performance, but not instead of, the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies.

### Definitions

Most of these key figures are alternative performance measures according to ESMA's definition. How these key figures are used is described below, as is how they are calculated. The alternative performance measures are used to provide a more comprehensive description of how the operational activities are developing, such as gross margin and EBITDA ex options.

### Orders booked for the quarter

Orders booked for the quarter is defined as purchase orders received by the company with requested customer delivery in the same quarter.

### Gross margin / gross margin (%)

Gross margin is defined as operating revenue plus other income less cost of goods sold.

Gross margin (%) is expressed as a percentage of operating revenue and other income.

(amounts in NOK 1 000)	Q2 2021	Q2 2020	6 months 2021	6 months 2020	Full year 2020
Operating revenues	10 447	13 628	24 505	34 112	57 770
Other revenues	94	-	113	-	363
Cost of goods sold	-8 337	-11 812	-18 580	-28 877	-49 387
<b>Gross margin</b>	<b>2 204</b>	<b>1 815</b>	<b>6 038</b>	<b>5 235</b>	<b>8 746</b>
Gross margin	2 204	1 815	6 038	5 235	8 746
Divided by operating revenues and other revenues	10 541	13 628	24 619	34 112	58 133
<b>Gross margin (%)</b>	<b>21 %</b>	<b>13 %</b>	<b>25 %</b>	<b>15 %</b>	<b>15 %</b>

### EBITDA / EBITDA ex options

EBITDA is earnings before interest, taxes, depreciation, amortization and impairment losses.

EBITDA ex options is equal to EBITDA excluding "share-based remuneration" (salary part, employer's part and operating part).

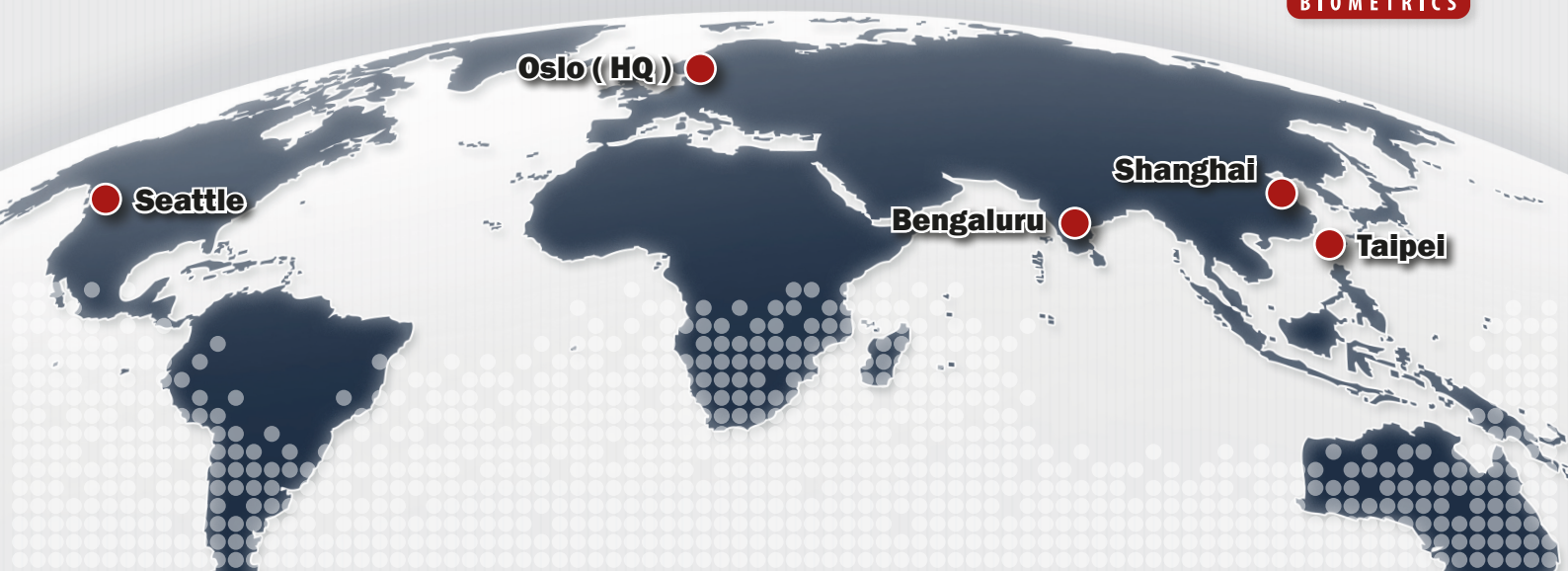
(amounts in NOK 1 000)	Q2 2021	Q2 2020	6 months 2021	6 months 2020	Full year 2020
Operating profit (loss)	-7 471	-33 365	-24 845	-71 163	-105 195
Added back depreciation and amortization	1 799	4 869	3 474	9 058	15 279
Added back impairment losses	-	6 577	-	6 577	6 577
<b>EBITDA</b>	<b>-5 673</b>	<b>-21 919</b>	<b>-21 371</b>	<b>-55 528</b>	<b>-83 339</b>
Added back share-based remuneration (salary part)	2 821	-1 115	3 396	-1 143	3 882
Added back share-based remuneration (employer's tax)	-917	-	3 096	-	69
Added back share-based remuneration (operating part)	178	-	237	-	494
<b>EBITDA ex. options</b>	<b>-3 591</b>	<b>-23 034</b>	<b>-14 643</b>	<b>-56 670</b>	<b>-78 894</b>

### Cost of goods sold (COGS)

Cost of goods sold (COGS) is cost of materials and production service expenses.

### Operating expenses (OPEX)

Operating expenses (OPEX) consist of salaries and personnel cost and other operating expenses.



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#### **ABOUT NEXT BIOMETRICS:**

NEXT provides advanced fingerprint sensor technology that delivers uncompromised security and accuracy for the best possible user experience in the smart card, government ID, access control and notebook markets. The company's patented *NEXT Active Thermal™* principle allows the development of large, high quality fingerprint sensors in both rigid and flexible formats. NEXT Biometrics Group ASA ([www.nextbiometrics.com](http://www.nextbiometrics.com)) is headquartered in Oslo, with sales, support and development operations in Seattle, Taipei, Bengaluru and Shanghai.

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