



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 3 2 0 2 0

One Touch.
One You.
NEXT Biometrics

NEXT Biometrics Group ASA

Quarterly report – Q3 2020

Highlights

- Cost reduction program target reached at end of the quarter; cost effectiveness focus continues
- Revenue of NOK 15.2 million in Q3 2020 up 12% from Q2 2020
- COVID-19 has extended sales cycles and delayed closing of deals, but actively working on multiple opportunities with revenue potential in 2021
- Gross margin of 14% in Q3 2020 (11% in Q3 2019)
- EBITDA ex options¹ of NOK -14.2 million in Q3 2020 (-34.7 million in Q3 2019)
- NOK 10.8 million subsequent offering completed in July
- Cash position of NOK 86.8 million per 30 September 2020

CEO statement

Our performance during the third quarter is characterized by outstanding score on cost cutting which is now a full quarter ahead of plan coming in at NOK 17.3 million in adjusted operating expense per quarter. Revenues are inching upwards delivering growth of 65% compared to our turn-around low-point in Q4 2019 and a 12% growth compared to Q2 2020. We had expected better revenue numbers than what we actually reported, but the pandemic has lengthened already long biometric sales cycles for many of our customers. Still, we remain steadfast in pursuit of higher revenue numbers and have confidence that our turn-around, systematic and intensive sales efforts should yield further results.

The COVID-19 environment has frustrated our efforts to quickly accelerate growth. The commercial activity level is, however, very high. Our streamlined organization has done a great job in establishing new potential growth areas. Compared to when the reset of the company started, our sensors have now been designed into several interesting biometric devices and point of sales manufactures in Asia, US and India. On the PC front we continue to see interest from new customers and recurring business from existing customers.

In summary, our costs are down and our cost cutting is ahead of schedule. Our revenues show an upward trajectory and the organization aggressively pursues new business with our promising FAP20 and other products.

Peter Heuman, CEO of NEXT Biometrics Group ASA

(amounts in NOK million)	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Full year 2019
Operating revenues	15.2	13.6	20.5	9.2	84.4
Gross margin (%)	14 %	13 %	17 %	-2 %	24 %
EBITDA ex options ¹⁾	-14.2	-23.0	-33.6	-44.3	-144.9
Cash and cash equivalents - closing balance	86.8	97.8	54.1	88.5	88.5

1) See definition on page 14

Operational review

Revenue for Q3 2020 was NOK 15.2 million, up 65% relative to the low-point Q4 2019 and down 14% compared to Q3 2019. Laptop sensors demand continued to be strong during Q3 2020 and was higher than both Q1 and Q2 2020. The Group shipped one medium sized and multiple smaller FAP20 orders during the quarter. Shipments of products to India during the quarter was below expectations mainly due to continued COVID-19 restrictions and related delays in customer orders and tenders.

Laptop sensors continues to be the Group's most stable and important revenue generator. NEXT is working on a project with its largest existing laptop customer for a new product, which is planned to be launched in H2 2021. NEXT is also working on new business opportunities with additional laptop manufacturers.

NEXT continues 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 has generated substantial interest in the FAP20 sensor. In June 2020, NEXT shipped 5,000 FAP20 sensors to LLC NF. The sensors will be used in a Citizen ID project in Russia. In September 2020, NEXT shipped 6,000 FAP20 sensors to partner Newland Payment Technology (NPT), which was a follow-up order from the first commercial order with NPT (announced 24 February 2020). The FAP20 sensors will be integrated in NPT's fingerprint-enabled payment terminals sold to an undisclosed national bank in Africa. NEXT also shipped smaller orders to five additional FAP20 customers during Q3. These orders are small in terms of shipped sensor and revenue but represent potential for additional future orders.

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 three smaller orders for UIDAI and STQC certified fingerprint biometric sensors.

NEXT's has completed the development phase of its dual interface smart card solution, which is ready to be deployed to new potential customers. The Group has a long-term focus on the broader smart card market which is expected to have growth potential with higher gross margins compared to pure biometric payments cards.

NEXT's gross margin was 14% for Q3 2020, up from -2% in Q4 2019 and 11% in Q3 2019. The gross margin is still not satisfactory due to low production volume in the quarter (relative to installed capacity with fixed production costs). The FAP20 sensor and several of the Group's newer products have relatively high gross margin potential, but the share of revenues for these products is still at a relative low level.

NEXT continued to implement measures to improve cost effectiveness as a part of the Group's turnaround strategy. As earlier communicated, the plan is to reach an operating expense run rate of approximately 5 MNOK/month during Q4 2020 compared to 16 MNOK/month in Q4 2019. With an Q3 OPEX adjusted for option costs and Skattefunn at MNOK 17.3, the Group is already close to its target cost level. Still, the effort to streamline NEXT operations and lower office, administration and vendor costs will continue. Subsequent to quarter end, NEXT moved its Oslo head office location to a new and smaller office with a lower cost. Similar office cost reductions are also planned in other NEXT office locations.

On 6 July 2020, NEXT announced that it completed a repair share issue raising NOK 10.8 million in gross proceeds.

Interim condensed financial statements as of 30 September 2020 (unaudited)

Statement of comprehensive income

Operating revenues for Q3 2020 was NOK 15.2 million compared to NOK 17.6 million in Q3 2019. The decrease was mainly related to reduced notebook module shipments.

Gross margin was 14% in Q3 2020 compared to 11% in Q3 2019.

Payroll expenses excluding stock option costs were NOK 9.9 million in Q3 2020 compared to NOK 27.8 million in Q3 2019. The reduction was mainly related to a reduction in number of employees and lower share of employees in high-cost countries. Employee stock option costs increased to NOK 4.4 million in Q3 2020 from negative NOK 3.5 million in Q3 2019.

Other operating expenses were NOK 6.4 million in Q3 2020 compared to NOK 8.8 million in Q3 2019. The reduction is mainly related to reduced R&D activities and external business service costs. Total net R&D expenses, included in both payroll and other operating expenses, were NOK 6.3 million in Q3 2020, decreased from NOK 18.0 million in Q3 2019.

Depreciation and amortization were NOK 3.6 million in Q3 2020 compared to NOK 4.2 million in Q3 2019.

Income tax expenses were NOK 0.0 million and related to foreign subsidiaries in Q3 2020, compared to NOK 0.0 million in Q3 2019.

Loss after taxes for Q3 2020 were NOK 23.1 million compared to a loss NOK 33.7 million for Q3 2019.

Statement of financial position and cash flow

Cash and cash equivalents amounted to NOK 86.8 million per 30 September 2020, compared to NOK 88.5 million per year-end 2019.

Cash flow from operating activities was negative NOK 21.3 million in Q3 2020, compared to a negative NOK 30.9 million in Q3 2019. The improvement in cash flow is mainly related to lowered loss in the period.

Purchase of property, plant and equipment and intangible assets were NOK 0.1million in Q3 2020, compared to NOK 1.2 million in Q3 2019.

Net cash flow from financing activities was positive by NOK 9.8 million in Q3 2020 compared to negative NOK 0.7 million in Q3 2019. The positive cash effect in Q3 2020 was related to net cash proceeds from the share issue of NOK 9.9 million.

Going concern

The Group's financial statements for Q3 2020 have been prepared on the basis of a going concern assumption.

Outlook

The Group's turn-around plan has been implemented. The Group expects to reach an operating expense run rate of approximately NOK 5 million/month during Q4 2020 compared to NOK 16 million/month in Q4 2019.

The Group will continue the work to increase long-term revenues. NEXT's current focus is client business opportunities around FAP20, Notebook products and India Aadhaar program. Biometric product industry sales cycles are generally 9-12 months, and even longer for Laptop products. COVID-19 has extended cycles with up to 6 months, which has delayed NEXT's revenue growth. The Group is currently evaluating new potential offerings that will shorten sales cycles for certain products.

NEXT has achieved multiple FAP20 design-ins during 2020, which is the first step towards future recurring orders. The design-ins include customers Newland Payment Technology (China), Credence ID (USA) and EKEMP Secure Identity (China).

The Group expects growth in the Laptop sensor segment from H2 2021 when a new sensor product with NEXT largest laptop customer is planned to be launched. NEXT is also working with other laptop manufacturers with potential product launch(es) from late Q2 2021 and onwards.

The fingerprint sensor and reader market in India continues to be subject to delays in tenders and orders due to the COVID-19 situation as well as a general economic slowdown. It is uncertain when this market will recover and return to growth mode.

NEXT has multiple USD 0.5 million potential deals in pipeline, which may convert to revenue in future quarters. Still, volatility in quarterly revenue is expected to be relatively high both on the downside and the upside. The gross margin is expected to increase gradually towards the Group's targeted 35-40% during 2021, by improving product mix and increasing production and sales volumes. With the new lowered operating cost level, NOK 120-150 million in annualized revenues are likely required to reach break-even. The future revenues and gross margin will depend on general market growth, speed of adoption of NEXT's FAP20 product, partner demand for FAP20 sensors, laptop sensor demand, NEXT sales effectiveness and closing rate. Moreover, the targeted gross margin level is based on a changed future product mix with FAP20 products being at a much higher level than in Q3 2020.

Overall, we believe the fingerprint solution markets and our thermal technology-based products have potential to grow significantly in the longer term.

Oslo, 9 November 2020
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)

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Interim condensed consolidated statement of comprehensive income (unaudited)

(amounts in NOK 1 000)	Notes	Q3 2020	Q3 2019	9 months 2020	9 months 2019	Full year 2019
Operating revenues	2	15 229	17 621	49 340	75 201	84 436
Cost of goods sold		-13 163	-15 761	-42 040	-54 429	-63 865
Gross margin		2 065	1 860	7 300	20 772	20 570
Payroll expenses	3,4	-14 267	-24 319	-53 169	-88 458	-121 929
Other operating expenses	3	-6 403	-8 758	-28 263	-34 991	-46 419
EBITDA		-18 604	-31 216	-74 132	-102 676	-147 777
Depreciation and amortization		-3 555	-4 188	-12 613	-12 467	-16 805
Impairment losses		-	-	-6 577	-	-
Operating profit (loss)		-22 159	-35 405	-93 322	-115 143	-164 582
Net financial items		-957	1 736	356	339	266
Profit (loss) before taxes		-23 117	-33 668	-92 966	-114 804	-164 316
Income tax expenses		-10	-	-66	1	-2 131
Profit (loss) after taxes		-23 126	-33 667	-93 032	-114 803	-166 447
<i>Other comprehensive income (loss) that may be reclassified subsequently to profit and loss:</i>						
Translation differences on net investments in foreign operations		168	1 014	3 161	765	315
Other comprehensive income (loss)		168	1 014	3 161	765	315
Total comprehensive income (loss)		-22 959	-32 654	-89 871	-114 038	-166 132
Profit (loss) after taxes attributable to:						
Owners of the parent company		-23 126	-33 667	-93 032	-114 803	-166 447
Total comprehensive income (loss) attributable to:						
Owners of the parent company		-22 959	-32 654	-89 871	-114 038	-166 132
Earnings per share (in NOK):						
Basic and diluted ¹⁾	4	-0.31	-0.66	-1.54	-2.33	-3.34

1) Earnings per share in 2019 have been adjusted retrospectively as a result of share issues in 2020

NEXT BIOMETRICS GROUP ASA

Interim condensed consolidated statement of financial position (unaudited)

(amounts in NOK 1 000)	Notes	30 Sep 2020	30 Sep 2019	31 Dec 2019
Deferred tax assets		14	370	9
Intangible assets		6 748	13 714	11 969
Property, plant and equipment		20 053	33 837	31 212
Total non-current assets		26 816	47 922	43 189
Inventories		21 995	23 399	25 961
Accounts receivables	3	6 144	6 054	3 481
Other current assets		11 191	15 643	11 724
Cash and cash equivalents		86 779	131 728	88 541
Total current assets		126 109	176 823	129 706
Total assets		152 924	224 745	172 896
Share capital	4	75 944	42 931	42 931
Share premium	4	76 940	624 451	53 278
Other reserves	4	61 485	57 513	58 261
Accumulated losses		-109 539	-538 740	-19 668
Total equity		104 830	186 154	134 801
Non-current interest-bearing loans	5	3 078	-	-
Other non-current liabilities		1 058	3 212	3 344
Total non-current liabilities		4 136	3 212	3 344
Current interest-bearing loans	5	6 321	-	-
Accounts payables		14 903	15 063	11 786
Income tax payables		61	-	188
Other current liabilities		22 674	20 315	22 777
Total current liabilities		43 959	35 379	34 751
Total equity and liabilities		152 924	224 745	172 896

NEXT BIOMETRICS GROUP ASA

Interim condensed consolidated statement of cash flow (unaudited)

(amounts in NOK 1 000)	Notes	Q3 2020	Q3 2019	9 months 2020	9 months 2019	Full year 2019
Profit (loss) before taxes		-23 117	-33 668	-92 966	-114 804	-164 316
Share based remuneration (equity part)	4	4 367	-3 540	3 224	2 144	2 893
Income taxes paid		-	-	-207	1	-2 141
Depreciation and amortization		3 555	4 188	12 613	12 467	16 805
Impairment losses		-	-	6 577	-	-
Change in working capital items and other		-5 122	2 138	6 191	10 321	15 365
Net cash flow from operating activities		-20 317	-30 881	-64 567	-89 871	-131 394
Proceeds from disposal of property, plant and equipment and intangible assets		-	-	6	-	-
Purchases of property, plant and equipment and intangible assets		-88	-1 233	-88	-1 233	-1 199
Net cash flow from investing activities		-88	-1 233	-82	-1 233	-1 199
Net proceeds from issue of shares	4	9 940	-	55 720	178 752	178 752
Proceeds from interest-bearing loans	5	-	-	10 152	-	-
Payments of lease liabilities		-176	-651	-2 380	-2 985	-4 233
Net cash flow from financing activities		9 764	-651	63 491	175 767	174 519
Effects of exchange rate changes on cash and cash equivalents		-355	1 014	-604	765	315
Net change in cash flow		-10 995	-31 751	-1 762	85 428	42 242
Cash balance at beginning of period		97 775	163 479	88 541	46 299	46 299
Cash balance at end of period		86 779	131 728	86 779	131 728	88 541
Comprising of:						
Cash and cash equivalents		86 779	131 728	86 779	131 728	88 541

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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
As of 1 January 2020		42 931	53 278	58 261	-19 668	134 801
Profit (loss) after taxes					-93 032	-93 032
Other comprehensive income (loss)					3 161	3 161
Total comprehensive income (loss)		-	-	-	-89 871	-89 871
Share issues net	4	33 014	23 662			56 676
Share based remuneration	4			3 224		3 224
As of 30 September 2020		75 944	76 940	61 485	-109 539	104 830
As of 1 January 2019		19 431	469 200	55 369	-424 710	119 289
Profit (loss) after taxes					-114 803	-114 803
Other comprehensive income (loss)					765	765
Total comprehensive income (loss)		-	-	-	-114 038	-114 038
Share issues net	4	23 500	155 252			178 752
Share based remuneration	4			2 144		2 144
As of 30 September 2019		42 931	624 451	57 513	-538 740	186 154

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 2019 (Annual Report for 2019). The Annual Report for 2019 is available at 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 2019. There are no new standards and interpretations effective from 1 January 2020 that had a significant impact on the Group's consolidated interim financial statements. In the statement of cash flow, Q3 2020 and Q3 2019 figures have been adjusted to properly reflect lease payments. Line-items "Payment of lease liabilities" have decreased from 0 (reported) to -651 (updated) and "Change in working capital items and other" have increased from 1,487 (reported) to -2,138 (updated) for Q3 2019. The sub-totals "Net cash flow from operating activities" and "Net cash flow from financing activities" have also been adjusted accordingly. The adjustments had no effect on "Net change in cash flow".

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

The Group's interim financial statements for Q3 2020 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 9 November 2020.

Note 2 – Revenue and segment reporting

(amounts in NOK 1 000)	Q3 2020	Q3 2019	9 months 2020	9 months 2019	Full year 2019
Fingerprint sensor technology	15 229	17 621	49 340	75 201	84 436
Total operating revenues	15 229	17 621	49 340	75 201	84 436

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)	Q3 2020	Q3 2019	9 months 2020	9 months 2019	Full year 2019
R&D related payroll expenses	-4 533	-15 223	-24 291	-48 293	-65 841
Other payroll expenses	-5 367	-12 616	-25 654	-37 433	-52 585
Share based remuneration (salary part)	-4 367	3 521	-3 224	-2 838	-3 609
Share based remuneration (employer's tax)	-	-	-	107	106
Total payroll expenses	-14 267	-24 319	-53 169	-88 458	-121 929

(amounts in NOK 1 000)	Q3 2020	Q3 2019	9 months 2020	9 months 2019	Full year 2019
R&D related operating expenses	-1 761	-2 785	-9 106	-20 064	-24 889
Other expenses	-4 642	-5 973	-19 157	-15 582	-22 186
Share based remuneration (operating part)	-	-	-	656	656
Total other operating expenses	-6 403	-8 758	-28 263	-34 991	-46 419
Total R&D expenses	-6 295	-18 008	-33 397	-68 357	-90 730

Allowance for expected credit losses on accounts receivables increased by MNOK 0.8 in Q3 2020 (MNOK 0.0 in same periods in 2019). The increase is mainly related to individual assessment of certain customers.

Note 4 – Shares and incentive options

Numbers of shares outstanding

As of 1 January 2020	42 930 575
Share issue(s)	33 013 914
Exercised incentive options	-
As of 30 September 2020	75 944 489

			9 months	9 months	Full year
Earnings per share	Q3 2020	Q3 2019	2020	2019	2019
Profit (loss) after taxes (in NOK 1,000)	-23 126	-33 667	-93 032	-114 803	-166 447
Weighted average number of shares for the period ¹⁾	75 684 076	51 359 630	60 344 215	49 221 988	49 760 791
Effect of dilution option programmes	-	-	-	-	-
Weighted average number of shares adjusted for effect of dilution	75 684 076	51 359 630	60 344 215	49 221 988	49 760 791
Earnings per share (in NOK), basic and diluted	-0.31	-0.66	-1.54	-2.33	-3.34

1) Weighted average number of shares for 2019 has been adjusted retrospectively as a result of share issues in 2020

In June 2020, NEXT successfully completed a private placement issuing 25,000,000 new shares at a subscription price of NOK 2.00 per share, corresponding to a total gross amount of NOK 50.0 million. Direct expenses and underwriting commission in relation to the private placement was NOK 8.7 million, of which NOK 4.5 million for the underwriting commission was settled by issuing 2,262,027 new shares at NOK 2.00 per share. A subsequent share offering was completed in July 2020, issuing 5,382,887 new shares at a subscription price of NOK 2.00 per share, corresponding to a total gross amount of NOK 10.8 million. The share issues were approved at the extraordinary general meeting held on 19 June 2020. In July 2020, the board agreed to issue 0.37 million shares in the Company at a subscription price of NOK 2.59 per share to executive CTO/COO Dan Cronin to settle an agreed bonus payment.

Share options:

The Company 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 Q3 2020, the number of outstanding options was decreased by net 0.03 million options. The decrease is due to the negative adjustment of 28,167 options that will not vest since employees holding the option grants has left the Group. The Group had 6,862,547 options outstanding as per 30 September 2020.

The vesting of the board members' options is conditional upon the person being a member of the board of directors at the date of vesting. Any resigning board members will not lose their vested options. Vested options must be exercised within six months from the date of the end of term. Board members that are dismissed upon a resolution by the general meeting or who are not re-elected, will keep their vested options, while any unvested options will elapse.

With regard to the option program for board members, management and employees, in total 50% of the options vested in Q3 2020. The remaining 50% will vest in Q3 2021. The date of expiry for all vested options is

the date falling 36 months after the date of grant. Any options that are not exercised at, or prior to, this date will elapse. The exercise price of the 2020 share options program is NOK 2.49.

Note 5 – Interest-bearing loans

In April 2020, NEXT Biometrics Inc. was granted a loan amounting to USD 1.0 million under the COVID-19 USA government sponsored loan program. The loan is to cover payroll and help cover overhead expenses in NEXT's US operation and NEXT may qualify for loan forgiveness for a sizable portion of the loan. The loan has an interest rate of 1%, a two-year term and is unsecured. The loan is presented as "non-current interest-bearing loans" and "current interest-bearing loans" as of 30 September 2020.

Note 6 – Subsequent events

On November 3, NEXT announced that it received an initial purchase order to design and build a customized fingerprint reader based on NEXT's large-size FAP20 biometric sensor from business partner NCS in Singapore. The initial order is for 1,500 units and is scheduled to be deployed in December 2020. The customer expects that up to 10,000 NEXT FAP20 readers will be deployed during the next 24 months period.

On November 5, NEXT announced that NEXT's FAP20 sensor integrated into Newland's point of sales (POS) device, has received formal certification by Nigeria Inter-Bank Settlement System (NIBSS). The POS device is the world's first payment terminal passing biometric certification requirements in Nigeria. The device has undergone rigorous tests by the NIBSS as a part of the certification process and has been found to comply with all requirements fit for the market in Nigeria and are ready to be deployed to end-customers.

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.

Gross margin / gross margin (%)

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

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

(amounts in NOK 1 000)	Q3 2020	Q3 2019	9 months 2020	9 months 2019	Full year 2019
Operating revenue	15 229	17 621	49 340	75 201	84 436
Cost of goods sold	-13 163	-15 761	-42 040	-54 429	-63 865
Gross margin	2 065	1 860	7 300	20 772	20 570
Gross margin	2 065	1 860	7 300	20 772	20 570
Divided by operating revenue	15 229	17 621	49 340	75 201	84 436
Gross margin (%)	14 %	11 %	15 %	28 %	24 %

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).

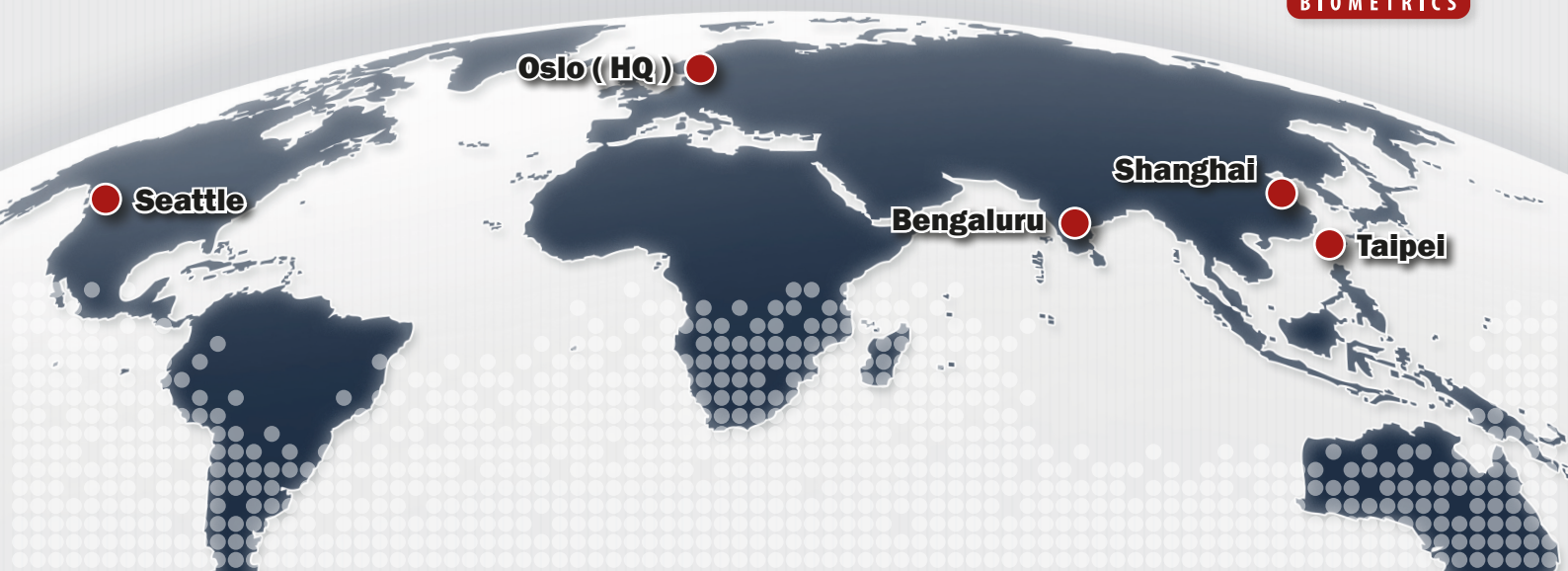
(amounts in NOK 1 000)	Q3 2020	Q3 2019	9 months 2020	9 months 2019	Full year 2019
Operating profit (loss)	-22 159	-35 405	-93 322	-115 143	-164 582
Added back depreciation and amortization	3 555	4 188	12 613	12 467	16 805
Added back impairment losses	-	-	6 577	-	-
EBITDA	-18 604	-31 216	-74 132	-102 676	-147 777
Added back share-based remuneration (salary part)	4 367	-3 521	3 224	2 838	3 609
Added back share-based remuneration (employer's tax)	-	-	-	-107	-106
Added back share-based remuneration (operating part)	-	-	-	-656	-656
EBITDA ex. options	-14 237	-34 737	-70 908	-100 601	-144 931

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.



Visit **www.nextbiometrics.com** or contact us:

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) is headquartered in Oslo, with sales, support and development operations in Seattle, Taipei, Bengaluru and Shanghai.

NEXT INVESTOR CONTACT:

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HOMEPAGE: www.nextbiometrics.com

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