



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 4 2 0 2 0

One Touch.
One You.
NEXT Biometrics

NEXT Biometrics Group ASA

Quarterly report – Q4 2020

Highlights

- Cost & efficiency program completed; adjusted OPEX reduced by 73% relative to Q4 2019
- Revenue of NOK 8.8 million in Q4 2020 down 5% from Q4 2019
- Gross margin of 16% in Q4 2020 (-2% in Q4 2019)
- EBITDA ex options¹ of NOK -8.0 million in Q4 2020 (NOK -44.3 million in Q4 2019)
- Cash position of NOK 67.9 million per 31 December 2020
- NEXT successfully completed a private placement in February 2021, raising gross proceeds of NOK 89 million
- To date, already received purchase orders of more than NOK 13 million with improved gross margin for Q1 2021; working on closing additional purchase orders for Q1 2021 delivery during remaining part of Q1 2021. Following Q1 2021, multiple design wins expected to increase revenues and to re-establish the positive quarterly revenue trend towards our long-term targets.

CEO statement

Q4 2020 ended a year of transition for NEXT. During 2020 we have laid the foundation for a successful future. We reduced our OPEX-level by 73 %, and we did it well ahead of schedule. We had 15 design-wins from Q4 2019 up to now, and the effect of this is seen in recent purchase orders and growing revenue from Q1 this year. Equally important is the fact that now we achieve healthy gross margins on our sales.

With a successful private placement completed a week ago, we are now in a strong financial position. We expect to continue to report new design-wins and purchase orders as we go forward. Especially we have a strong belief in the future success of our FBI certified FAP20 sensor, which will enable us to disrupt a 1.5 billion USD market.

Thank you.

Peter Heuman, CEO of NEXT Biometrics Group ASA

(amounts in NOK million)	Q4 2020	Q4 2019	Full year 2020	Full year 2019
Total revenues	8.8	9.2	58.1	84.4
Gross margin (%)	16 %	-2 %	15 %	24 %
EBITDA ex options ¹⁾	-8.0	-44.3	-83.3	-144.9
Cash and cash equivalents - closing balance	67.9	88.5	67.9	88.5

1) See definition on page 14

Operational review

Subsequent to quarter end, NEXT announced a new NOK 7 million purchase order from Credence ID, a US-based leader in mobile biometrics and credential reading devices. The order confirms the growing technological and commercial acceptance of NEXT's key product. It is also the largest FAP20 sensor purchase order since NEXT obtained FBI certification in Q1 2020.

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. During 2020, NEXT announced design-wins and shipped FAP20 sensors to multiple customers including LLC NF Citizen ID project in Russia, Newland Payment Technology's project with an undisclosed national bank in Africa and NCS' customized fingerprint readers targeted for the Singapore market. During the quarter, NEXT announced that NEXT's FAP20 sensor integrated into Newland's point of sales (POS) device received formal certification by Nigeria Inter-Bank Settlement System (NIBSS).

Laptop sensors is still the Group's largest product area in terms of revenues. Shipments of notebook sensor had a seasonal reduction in Q4 2020 relative to earlier quarters in 2020. Still, the Q1 2021 shipment forecast for notebook sensor is back at a higher levels and expected to continue strong later in the year. Subsequent to year-end, NEXT announced the first order for a new product with its largest existing laptop customer. NEXT's sensor product has been a design-win in several of the customer's laptop products that are scheduled to enter market in H2 2021 following Microsoft's introduction of its Secure BIO standard. NEXT is also working on new business opportunities with additional laptop manufacturers.

In November, NEXT announced a new design-win and initial purchase order of 10,000 fingerprint sensors from Page Electronica (Page), in Belgium. Page has developed an ultra-secure blockchain wallet solution using one of NEXT Biometrics sensor products for its end-customer NGRIVE, a Startup Blockchain company in Belgium, that offers secure crypto-currency wallets to store passwords and keys for owners of crypto currencies.

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 four medium sized 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 has submitted offers to two prospective partners/customers requesting smart card solutions during the quarter.

NEXT's gross margin was 16% for Q4 2020, up from -2% in Q4 2019. The margin has improved relative to 2019 due to an increased proportion of higher margin products. However, the gross margin is still hampered by low production volume relative to installed capacity with fixed production costs.

The company exceeded its previous operating expense run rate target in Q4 and reached an adjusted OPEX of 4.4 MNOK per month (excluding SkatteFUNN grant and share-based remuneration), which is a 73% reduction compared to the OPEX level in Q4 2019.

Subsequent to quarter end, a private placement was successfully completed, raising gross proceeds of approximately NOK 89 million. Please see note 8 subsequent events for further details.

Interim condensed financial statements as of 31 December 2020 (unaudited)

Statement of comprehensive income

Operating revenues for Q4 2020 was NOK 8.4 million compared to NOK 9.2 million in Q4 2019 and NOK 15.2 million in Q3 2020. The decrease relative to Q3 2020 was mainly related to a seasonal reduction notebook module shipments. Other revenues for Q4 2020 were NOK 0.4 million compared to NOK 0.0 million in Q4 2019 and relates to gain on sublease of office.

Gross margin was 16% in Q4 2020 compared to -2% in Q4 2019. The increase is mainly related to improved product mix in Q4 2020 relative to Q4 2019.

Payroll expenses excluding stock option costs were NOK 9.3 million in Q4 2020 compared to NOK 32.7 million in Q4 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 decreased to NOK 0.7 million in Q4 2020 from NOK 0.8 million in Q4 2019.

Other operating expenses excluding stock option costs were NOK 0.1 million in Q4 2020 compared to NOK 11.4 million in Q4 2019. The reduction is mainly related to reduced R&D activities and external business service costs. Additionally, in Q4 2020 NOK 3.9 million in cost reduction was booked due to recognition of SkatteFUNN grant for 2020 (NOK 5.0 million cost reduction was booked in Q4 2019).

Depreciation and amortization were NOK 2.7 million in Q4 2020 compared to NOK 4.3 million in Q4 2019.

Income tax benefit was NOK 3.1 million in Q4 2020, compared to NOK 2.1 million tax expense in Q4 2019. Q4 2020 includes tax refund of NOK 3.2 million in USA due to taxable loss in 2020.

Loss after taxes for Q4 2020 were NOK 8.8 million compared to a loss NOK 51.6 million for Q4 2019.

Statement of financial position and cash flow

Cash and cash equivalents amounted to NOK 67.9 million per 31 December 2020, compared to NOK 88.5 million per year-end 2019.

Cash flow from operating activities was negative NOK 15.8 million in Q4 2020, compared to a negative NOK 41.5 million in Q4 2019. The improvement in cash flow is mainly related to lowered loss in the period.

Cash flow from investing activities was positive NOK 0.1 million in Q4 2020, compared to NOK 0.0 million in Q4 2019.

Net cash flow from financing activities was negative by NOK 2.2 million in Q4 2020 compared to negative NOK 1.2 million in Q4 2019 and relates to payments on lease liabilities.

Going concern

The Group's financial statements for Q4 2020 have been prepared on the basis of a going concern assumption.

Outlook

The implementation of the Group's cost reduction plan has been completed. The Group expects to continue to benefit from its lowered operating expense run rate running at approximately NOK 15 million per quarter in 2021.

NEXT's main focus is increasing the number of customers choosing to design-in NEXT FAP20 sensors, Notebook products and India Aadhaar program. NEXT has achieved multiple FAP20 design-wins during 2020, which is the outmost important commercial step towards future recurring high margin orders. The design-wins include customers Newland Payment Technology (China), Credence ID (USA) and EKEMP Secure Identity (China). The recently announced large order from Credence ID amounting to NOK 7 million confirms the market potential for NEXT's FAP20 product. The company is expecting to announce more FAP20 design-ins and additional purchase orders during 2021.

NEXT was affected by a seasonal reduction of notebook sensors in Q4. Shipments are scheduled to increase back to higher levels already in Q1 2021. Moreover, the recently announced large FAP20 order will positively impact revenues and gross margin in quarter one. NEXT has already received purchase orders scheduled for delivery in Q1 2021 of more than NOK 13 million. The combined set of purchase orders have improved gross margin relative to earlier quarters in 2020. The company is working on closing additional purchase orders for Q1 2021 delivery during remaining part of Q1 2021. Following Q1 2021, NEXT is expected to re-establish the positive quarterly revenue trend towards our long-term targets.

The Group expects growth in the Laptop sensor segment from H2 2021. NEXT has received its first order for a new Microsoft compliant sensor product from one of its laptop customers. NEXT is also working with other laptop manufacturers with potential product launch(es) from late H2 2021 and onwards.

The fingerprint sensor and reader market in India has picked up in early 2021. NEXT is a part of the bidding process for multiple tenders and contracts to be awarded in the India market during 2021.

NEXT expects growing revenues in 2021. 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 Q4 2020.

Overall, we believe the fingerprint solution markets and our thermal technology-based sensors have potential to grow significantly in the longer term as more and more design-wins are added.

Oslo, 23 February 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	Q4 2020	Q4 2019	Full year 2020	Full year 2019
Operating revenues	2	8 429	9 234	57 770	84 436
Other revenues	2	363	-	363	-
Cost of goods sold		-7 347	-9 437	-49 387	-63 865
Gross margin		1 445	-202	8 746	20 570
Payroll expenses	3,4	-10 058	-33 471	-63 228	-121 929
Other operating expenses	3	-594	-11 428	-28 857	-46 419
EBITDA		-9 207	-45 101	-83 339	-147 777
Depreciation and amortization		-2 666	-4 338	-15 279	-16 805
Impairment losses		-	-	-6 577	-
Operating profit (loss)		-11 873	-49 439	-105 195	-164 582
Net financial items	5,6	55	-72	411	266
Profit (loss) before taxes		-11 818	-49 512	-104 784	-164 316
Income tax expenses	7	3 056	-2 132	2 990	-2 131
Profit (loss) after taxes		-8 762	-51 644	-101 794	-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		-32	-451	3 129	315
Other comprehensive income (loss)		-32	-451	3 129	315
Total comprehensive income (loss)		-8 794	-52 095	-98 665	-166 132
Profit (loss) after taxes attributable to:					
Owners of the parent company		-8 762	-51 644	-101 794	-166 447
Total comprehensive income (loss) attributable to:					
Owners of the parent company		-8 794	-52 095	-98 665	-166 132
Earnings per share (in NOK):					
Basic and diluted ¹⁾	4	-0.12	-1.01	-1.58	-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	31 Dec 2020	31 Dec 2019
Deferred tax assets		58	9
Intangible assets		5 446	11 969
Property, plant and equipment	6	17 197	31 212
Other non-current assets	6	704	-
Total non-current assets		23 404	43 189
Inventories		21 725	25 961
Accounts receivables		4 056	3 481
Other current assets	6,7	14 342	11 724
Cash and cash equivalents		67 950	88 541
Total current assets		108 072	129 706
Total assets		131 477	172 896
Share capital	4	75 944	42 931
Share premium	4	56 633	53 278
Other reserves	4	62 637	58 261
Accumulated losses		-98 027	-19 668
Total equity		97 188	134 801
Deferred tax liabilities		135	-
Non-current interest-bearing loans	5	5 609	-
Other non-current liabilities		1 164	3 344
Total non-current liabilities		6 908	3 344
Current interest-bearing loans	5	2 346	-
Accounts payables		11 047	11 786
Income tax payables		60	188
Other current liabilities		13 928	22 777
Total current liabilities		27 381	34 751
Total equity and liabilities		131 477	172 896

NEXT BIOMETRICS GROUP ASA

Interim condensed consolidated statement of cash flow (unaudited)

(amounts in NOK 1 000)	Notes	Q4 2020	Q4 2019	Full year 2020	Full year 2019
Profit (loss) before taxes		-11 818	-49 512	-104 784	-164 316
Share based remuneration (equity part)	4	1 152	749	4 376	2 893
Income taxes paid		-201	-2 141	-408	-2 141
Depreciation and amortization		2 666	4 338	15 279	16 805
Impairment losses		-	-	6 577	-
Change in working capital items and other		-7 600	5 045	-1 409	15 365
Net cash flow from operating activities		-15 802	-41 521	-80 369	-131 394
Proceeds from disposal of property, plant and equipment and intangible assets		5	-	11	-
Purchases of property, plant and equipment and intangible assets		-	34	-88	-1 199
Proceeds from lease receivables	6	117	-	117	-
Net cash flow from investing activities		122	34	40	-1 199
Net proceeds from issue of shares	4	-	-	55 720	178 752
Proceeds from interest-bearing loans	5	-	-	10 152	-
Payments of lease liabilities		-2 194	-1 248	-4 574	-4 233
Net cash flow from financing activities		-2 194	-1 248	61 297	174 519
Effects of exchange rate changes on cash and cash equivalents		-955	-451	-1 559	315
Net change in cash flow		-18 829	-43 187	-20 591	42 242
Cash balance at beginning of period		86 779	131 728	88 541	46 299
Cash balance at end of period		67 950	88 541	67 950	88 541
Comprising of:					
Cash and cash equivalents		67 950	88 541	67 950	88 541

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
As of 1 January 2020		42 931	53 278	58 261	-19 668	134 801
Profit (loss) after taxes			-20 306		-81 488	-101 794
Other comprehensive income (loss)					3 129	3 129
Total comprehensive income (loss)		-	-20 306	-	-78 359	-98 665
Share issues net	4	33 014	23 662			56 676
Share based remuneration	4			4 376		4 376
As of 31 December 2020		75 944	56 633	62 637	-98 027	97 188
As of 1 January 2019		19 431	469 200	55 369	-424 710	119 289
Profit (loss) after taxes			-571 174		404 727	-166 447
Other comprehensive income (loss)					315	315
Total comprehensive income (loss)		-	-571 174	-	405 042	-166 132
Share issues net		23 500	155 252			178 752
Share based remuneration				2 893		2 893
As of 31 December 2019		42 931	53 278	58 261	-19 668	134 801

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.

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

The Group's interim financial statements for Q4 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 23 February 2021.

Note 2 – Revenue and segment reporting

(amounts in NOK 1 000)	Q4 2020	Q4 2019	Full year 2020	Full year 2019
Fingerprint sensor technology	8 429	9 234	57 770	84 436
Total operating revenues	8 429	9 234	57 770	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.

Other revenue of NOK 0.4 million relates to gain on sublease of office, see note 6 for further information.

Note 3 – Operating expenses

(amounts in NOK 1 000)	Q4 2020	Q4 2019	Full year 2020	Full year 2019
R&D related payroll expenses	-4 656	-17 548	-28 948	-65 841
Other payroll expenses	-4 675	-15 152	-30 329	-52 585
Share based remuneration (salary part)	-658	-770	-3 882	-3 609
Share based remuneration (employer's tax)	-69	-1	-69	106
Total payroll expenses	-10 058	-33 471	-63 228	-121 929

(amounts in NOK 1 000)	Q4 2020	Q4 2019	Full year 2020	Full year 2019
R&D related operating expenses	2 123	-4 825	-6 983	-24 889
Other expenses	-2 224	-6 604	-21 381	-22 186
Share based remuneration (operating part)	-494	-	-494	656
Total other operating expenses	-594	-11 428	-28 857	-46 419
Total R&D expenses	-2 533	-22 373	-35 930	-90 730

Note 4 – Shares and incentive options

Numbers of shares outstanding

As of 1 January 2020	42 930 575
Share issues	33 013 914
As of 31 December 2020	75 944 489

Earnings per share	Q4 2020	Q4 2019	Full year 2020	Full year 2019
Profit (loss) after taxes (in NOK 1,000)	-8 762	-51 644	-101 794	-166 447
Weighted average number of shares for the period ¹⁾	75 944 489	51 359 630	64 265 596	49 760 791
Effect of dilution option programmes	-	-	-	-
Weighted average number of shares adjusted for effect of dilution	75 944 489	51 359 630	64 265 596	49 760 791
Earnings per share (in NOK), basic and diluted	-0.12	-1.01	-1.58	-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 Q4 2020, the number of outstanding options was decreased by net 0.17 million options. The reduction is mainly due to the cancellation of options for employees holding the option grants that has left the Group. The Group had 6,694,208 options outstanding as per 31 December 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 USA operation. NEXT may qualify for loan forgiveness for a sizable portion of the loan and has submitted an application for loan forgiveness during Q4 2020. Due to uncertainty, estimated loan forgiveness is not recognized. The loan has an interest rate of 1%, a two-year term and is unsecured. The loan is recognized at amortized cost. Calculated fair value gain per year-end is estimated to NOK 0.8 million and interest expense to NOK 0.3 million. The loan is presented as "non-current interest-bearing loans" and "current interest-bearing loans" as of 31 December 2020.

Note 6 – Leases

The office lease agreements in USA were renegotiated in October 2020. The renegotiations resulted in reduced lease liabilities of NOK 0.7 million. There was no change in lease term or leased office space in the renegotiated agreements.

The office lease in Norway was subleased from October 2020. Related right-of-use asset of NOK 1.2 million was derecognized and lease receivable for the sublease of NOK 1.5 million was recognized. Lease receivable is included as part of "Other non-current assets" and "Other current assets" in the balance sheet. Gain on sublease of NOK 0.3 million is included as part of "Other revenues". In addition, a new office lease was recognized and increased right-of-use asset and lease liabilities with NOK 0.8 million. The lease term for the new office lease is 2 years.

Note 7 – US tax refund

In Q4 2020, NEXT's US subsidiary recognized a tax refund of NOK 3.2 million. The tax refund is due to taxable loss in 2020 which can be carried back to previous financial years and offset previously taxable income, thus resulting in a refund.

Note 8 – Subsequent events

On February 17, 2021, NEXT successfully completed a private placement issuing 14,819,897 new shares at a subscription price of NOK 6.0 per share, corresponding to gross proceeds of NOK 89 million. Estimated expenses related to the private placement is NOK 4.7 million.

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 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)	Q4 2020	Q4 2019	Full year 2020	Full year 2019
Operating revenues	8 429	9 234	57 770	84 436
Other revenues	363	-	363	-
Cost of goods sold	-7 347	-9 437	-49 387	-63 865
Gross margin	1 445	-202	8 746	20 570
Gross margin	1 445	-202	8 746	20 570
Divided by operating revenue and other revenues	8 793	9 234	58 133	84 436
Gross margin (%)	16 %	-2 %	15 %	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).

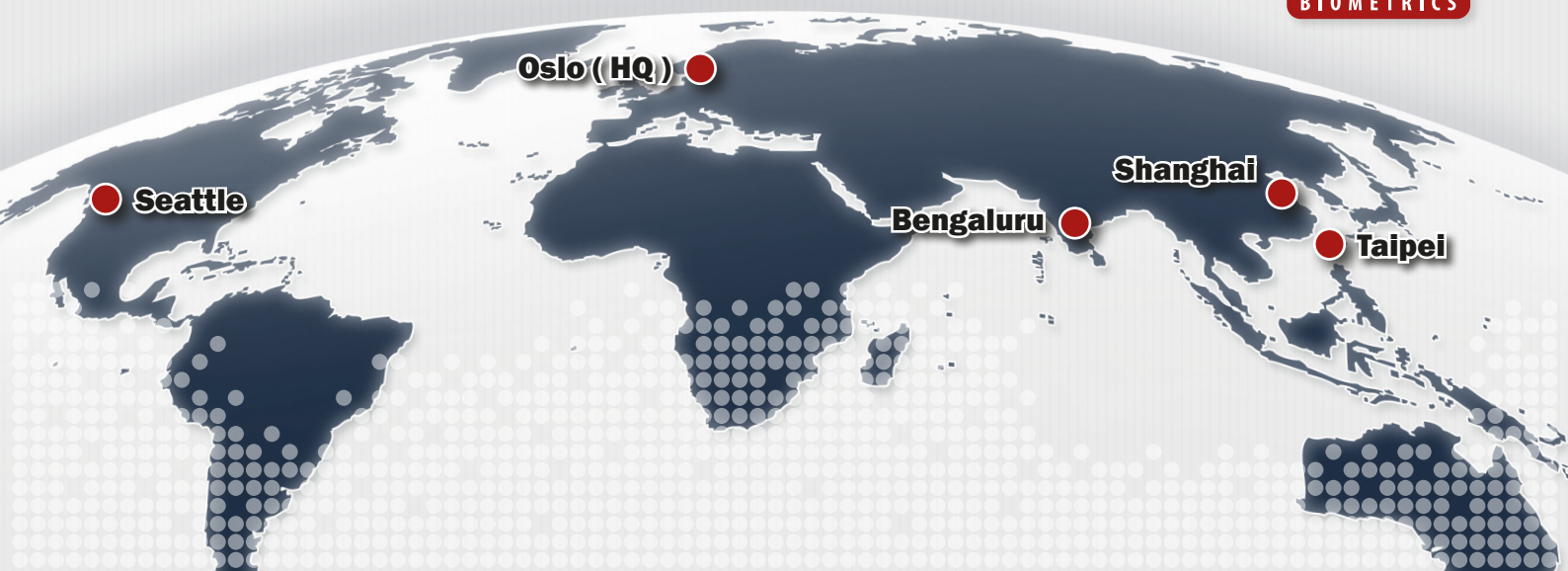
(amounts in NOK 1 000)	Q4 2020	Q4 2019	Full year 2020	Full year 2019
Operating profit (loss)	-11 873	-49 439	-105 195	-164 582
Added back depreciation and amortization	2 666	4 338	15 279	16 805
Added back impairment losses	-	-	6 577	-
EBITDA	-9 207	-45 101	-83 339	-147 777
Added back share-based remuneration (salary part)	658	770	3 882	3 609
Added back share-based remuneration (employer's tax)	69	1	69	-106
Added back share-based remuneration (operating part)	494	-	494	-656
EBITDA ex. options	-7 987	-44 330	-78 894	-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.

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